

CITY OF CLARKSVILLE, IOWA

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

JUNE 30, 2011

- Prepared By -

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CITY OF CLARKSVILLE, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-8
<u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 9-12
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 13-14
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 15-16
Notes to Financial Statements	17-24
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds	25-26
Notes to Required Supplementary Information	
- Budgetary Reporting	27
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 28-29
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Proprietary Fund	2 30
Schedule of Indebtedness	3 31-32
<u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>	
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>	
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	
	33-34
<u>SCHEDULE OF FINDINGS</u>	35-38

CITY OF CLARKSVILLE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
David Kelm	Mayor	January 2012
Jeff Kolb	Mayor Pro Tem	January 2012
Robert Peterson	Council Member	January 2012
Cathy Cummings	Council Member	January 2014
Mike Miller	Council Member	January 2014
Diane Renning	Council Member	January 2014
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, 2011, 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, 2011.

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, 2011, 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, 2011, 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 29, 2011 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 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 25 through 27 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 29, 2011

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, 2011. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

The City's total cash basis net assets increased 11.0%, or approximately \$102,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$50,000 and the assets of the business type activities increased by approximately \$52,000.

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 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, 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 and the sanitary sewer system. 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 Employee Benefits, 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 several Enterprise Funds to provide separate information for the Water Utility, Sewer Utility, Garbage Utility and Storm Water Drainage Utility Funds.

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 \$653,282 to \$703,202. 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
(Expressed in Thousands)

	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 65
Operating grants, contributions and restricted interest	161
Capital grants, contributions and restricted interest	158
General receipts:	
Property tax	417
Local option sales tax	68
Unrestricted interest on investments	14
Other general receipts	175
Total receipts	<u>\$1,058</u>
Disbursements:	
Public safety	\$ 165
Public works	82
Culture and recreation	118
Community and economic development	220
General government	119
Debt service	113
Capital projects	191
Total disbursements	<u>\$1,008</u>
Change in cash basis net assets	\$ 50
Cash basis net assets beginning of year	<u>653</u>
Cash basis net assets end of year	<u>\$ 703</u>

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

	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water utility	\$ 123
Customer deposits	7
Sewer utility	81
Garbage utility	141
Storm water drainage utility	49
General receipts:	
Unrestricted interest on investments	1
Other general receipts	7
Total receipts	<u>\$ 409</u>
Disbursements:	
Water utility	\$ 174
Customer deposits	4
Sewer utility	49
Garbage utility	130
Total disbursements	<u>\$ 357</u>
Change in cash basis net assets	\$ 52
Cash basis net assets beginning of year	<u>276</u>
Cash basis net assets end of year	<u>\$ 328</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarksville completed the year, its governmental funds reported a combined fund balance of \$703,202, an increase of \$49,920 from last year's total of \$653,282. 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 \$19,597 from the prior year to \$118,195. This increase was due mainly to decreased expenses.

The Special Revenue, Road Use Tax Fund cash balance increased \$57,564 to \$138,844.

The Special Revenue, 2008 Flood-Community Disaster Fund cash balance decreased \$102,203 to \$6,628, due to capital projects during the year.

The Special Revenue, 2010 Disaster Recovery-CDBG Fund cash balance decreased by \$39,334 to \$(51,172). This decrease was a result of capital projects during the year.

The Debt Service Fund cash balance increased \$22,609 from the prior year to \$3,867, due primarily to a transfer in of \$20,000.

The Capital Projects, Library Expansion Project Fund cash balance increased \$136,759 to \$220,499, due to contributions received during the year.

The Capital Projects, Equipment Projects Fund cash balance remained unchanged at \$100,000 at June 30, 2011, due to no activity during the year.

The Permanent, Cemetery Perpetual Care Fund cash balance increased \$1,875 to \$119,088, due to interest earnings.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Utility Fund cash balance decreased by \$49,812 to \$45,991, due primarily to an increase in operating expenses.

The Enterprise, Customer Deposits Fund cash balance increased by \$2,871 to \$54,250, due primarily to an increase in operating receipts.

The Enterprise, Sewer Utility Fund cash balance increased \$31,101 from the prior year to \$112,245, due primarily to a decrease in operating expenses.

The Enterprise, Garbage Utility Fund cash balance increased by \$15,379 to \$41,473, due primarily to an increase in operating receipts.

The Enterprise, Storm Water Drainage Utility Fund cash balance increased \$49,668 from the prior year to \$60,380. This increase was due to no expenses incurred during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 3, 2011. This resulted in an increase in operating disbursements related to culture and recreation and general government invoices of \$20,000. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the culture and recreation and general government functions prior to amendment.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$363,000 in other long-term debt outstanding, compared to approximately \$470,000 last year, as follows:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	<u>2011</u>	<u>2010</u>
Bank notes	<u>\$ 363</u>	<u>\$ 470</u>

The City incurred no new debt during 2011. 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 approximately \$363,000 is significantly below its constitutional debt limit of \$2,351,550.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarksville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees 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, 115 West Superior, Clarksville, Iowa 50619.

CITY OF CLARKSVILLE, IOWA
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<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>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 164,647	\$ 50,294	\$ 15,167	\$ -
Public works	82,223	257	138,746	-
Culture and recreation	118,474	9,800	7,581	-
Community and economic development	219,982	-	-	130,979
General government	119,486	4,160	-	-
Debt service	112,686	-	-	-
Capital projects	<u>190,959</u>	<u>-</u>	<u>-</u>	<u>26,752</u>
Total governmental activities	<u>\$1,008,457</u>	<u>\$ 64,511</u>	<u>\$ 161,494</u>	<u>\$ 157,731</u>
Business type activities:				
Water utility	\$ 173,586	\$ 122,868	\$ -	\$ -
Customer deposits	4,369	7,240	-	-
Sewer utility	49,533	80,634	-	-
Garbage utility	129,836	141,615	-	-
Storm water drainage utility	<u>-</u>	<u>49,668</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 357,324</u>	<u>\$ 402,025</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,365,781</u>	<u>\$ 466,536</u>	<u>\$ 161,494</u>	<u>\$ 157,731</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (99,186)	\$ -	\$ (99,186)
56,780	-	56,780
(101,093)	-	(101,093)
(89,003)	-	(89,003)
(115,326)	-	(115,326)
(112,686)	-	(112,686)
<u>(164,207)</u>	<u>-</u>	<u>(164,207)</u>
\$ <u>(624,721)</u>	\$ <u>-</u>	\$ <u>(624,721)</u>
\$ -	\$ (50,718)	\$ (50,718)
-	2,871	2,871
-	31,101	31,101
-	11,779	11,779
<u>-</u>	<u>49,668</u>	<u>49,668</u>
\$ <u>-</u>	\$ <u>44,701</u>	\$ <u>44,701</u>
\$ <u>(624,721)</u>	\$ <u>44,701</u>	\$ <u>(580,020)</u>

CITY OF CLARKSVILLE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

General Receipts:

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

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:

 Nonexpendable:

 Cemetery perpetual care

 Expendable:

 Streets

 Debt service

 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>
\$ 302,062	\$ -	\$ 302,062
115,295	-	115,295
67,918	-	67,918
14,351	680	15,031
<u>175,015</u>	<u>6,826</u>	<u>181,841</u>
\$ 674,641	\$ 7,506	\$ 682,147
\$ 49,920	\$ 52,207	\$ 102,127
<u>653,282</u>	<u>276,382</u>	<u>929,664</u>
<u>\$ 703,202</u>	<u>\$ 328,589</u>	<u>\$ 1,031,791</u>
\$ 119,088	\$ -	\$ 119,088
138,844	-	138,844
3,867	-	3,867
47,258	-	47,258
<u>394,145</u>	<u>328,589</u>	<u>722,734</u>
<u>\$ 703,202</u>	<u>\$ 328,589</u>	<u>\$ 1,031,791</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, 2011

	<u>General</u>	<u>Special Revenue</u>		
		<u>Road Use Tax</u>	<u>2008 Flood-Community Disaster</u>	<u>2010 Disaster Recovery-CDBG</u>
RECEIPTS:				
Property tax	\$244,529	\$ -	\$ -	\$ -
Other city tax	-	-	-	-
Licenses and permits	7,523	-	-	-
Use of money and property	12,722	-	-	-
Intergovernmental	22,748	138,746	-	130,979
Charges for service	60,094	-	-	-
Special assessments	-	257	-	-
Miscellaneous	14,951	784	-	-
Total receipts	<u>\$362,567</u>	<u>\$139,787</u>	<u>\$ -</u>	<u>\$ 130,979</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$132,702	\$ -	\$ -	\$ -
Public works	-	82,223	-	-
Culture and recreation	99,252	-	-	-
Community and economic development	5,506	-	-	170,313
General government	105,510	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	102,203	-
Total disbursements	<u>\$342,970</u>	<u>\$ 82,223</u>	<u>\$ 102,203</u>	<u>\$ 170,313</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 19,597</u>	<u>\$ 57,564</u>	<u>\$ (102,203)</u>	<u>\$ (39,334)</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ 19,597	\$ 57,564	\$ (102,203)	\$ (39,334)
Cash balances beginning of year	<u>98,598</u>	<u>81,280</u>	<u>108,826</u>	<u>(11,838)</u>
Cash balances end of year	<u>\$118,195</u>	<u>\$138,844</u>	<u>\$ 6,623</u>	<u>\$ (51,172)</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Retricted for:				
Debt service	-	-	-	-
Streets	-	138,844	-	-
Other purposes	-	-	-	-
Committed for capital projects	-	-	-	-
Assigned for:				
Emergency	18,962	-	-	-
Community disaster	-	-	6,623	-
Unassigned	<u>99,233</u>	<u>-</u>	<u>-</u>	<u>(51,172)</u>
Total cash basis fund balances	<u>\$118,195</u>	<u>\$138,844</u>	<u>\$ 6,623</u>	<u>\$ (51,172)</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent Cemetery</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Library Expansion Project</u>	<u>Equipment Projects</u>	<u>Perpetual Care</u>		
\$115,295	\$ -	\$ -	\$ -	\$ 57,533	\$ 417,357
-	-	-	-	67,918	67,918
-	-	-	-	425	7,948
-	1,629	-	-	-	14,351
-	-	-	-	26,752	319,225
-	-	-	-	-	60,094
-	-	-	-	-	257
-	148,735	-	1,875	4,882	171,227
<u>\$115,295</u>	<u>\$ 150,364</u>	<u>\$ -</u>	<u>\$ 1,875</u>	<u>\$157,510</u>	<u>\$1,058,377</u>
\$ -	\$ -	\$ -	\$ -	\$ 31,945	\$ 164,647
-	-	-	-	-	82,223
-	-	-	-	19,222	118,474
-	-	-	-	44,163	219,982
-	-	-	-	13,976	119,486
112,686	-	-	-	-	112,686
-	13,605	-	-	75,151	190,959
<u>\$112,686</u>	<u>\$ 13,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$184,457</u>	<u>\$1,008,457</u>
\$ 2,609	\$ 136,759	\$ -	\$ 1,875	\$ (26,947)	\$ 49,920
\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
-	-	-	-	(20,000)	(20,000)
\$ 20,000	\$ -	\$ -	\$ -	\$ (20,000)	\$ -
\$ 22,609	\$ 136,759	\$ -	\$ 1,875	\$ (46,947)	\$ 49,920
(18,742)	83,740	100,000	117,213	94,205	653,282
<u>\$ 3,867</u>	<u>\$ 220,499</u>	<u>\$ 100,000</u>	<u>\$119,088</u>	<u>\$ 47,258</u>	<u>\$ 703,202</u>
\$ -	\$ -	\$ -	\$119,088	\$ -	\$ 119,088
3,867	-	-	-	-	3,867
-	-	-	-	-	138,844
-	-	-	-	47,258	47,258
-	220,499	100,000	-	-	320,499
-	-	-	-	-	18,962
-	-	-	-	-	6,623
-	-	-	-	-	48,061
<u>\$ 3,867</u>	<u>\$ 220,499</u>	<u>\$ 100,000</u>	<u>\$119,088</u>	<u>\$ 47,258</u>	<u>\$ 703,202</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, 2011

	<u>Enterprise</u>		
	<u>Water Utility</u>	<u>Customer Deposits</u>	<u>Sewer Utility</u>
Operating receipts:			
Charges for service	\$ 115,367	\$ -	\$ 80,634
Miscellaneous	7,501	7,240	-
Total operating receipts	<u>\$ 122,868</u>	<u>\$ 7,240</u>	<u>\$ 80,634</u>
 Operating disbursements:			
Business type activities	<u>161,227</u>	<u>4,369</u>	<u>49,533</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (38,359)</u>	<u>\$ 2,871</u>	<u>\$ 31,101</u>
Non-operating receipts (disbursements):			
Interest on investments	\$ 680	\$ -	\$ -
Miscellaneous	226	-	-
Debt service	<u>(12,359)</u>	<u>-</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>\$ (11,453)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (49,812)	\$ 2,871	\$ 31,101
Cash balances beginning of year	<u>95,803</u>	<u>51,379</u>	<u>81,144</u>
Cash balances end of year	<u>\$ 45,991</u>	<u>\$ 54,250</u>	<u>\$112,245</u>
 Cash Basis Fund Balances			
Committed for customer deposits	\$ -	\$ 54,250	\$ -
Unrestricted	<u>45,991</u>	<u>-</u>	<u>112,245</u>
Total cash basis fund balances	<u>\$ 45,991</u>	<u>\$ 54,250</u>	<u>\$112,245</u>

See Notes to Financial Statements.

<u>Funds</u>			
<u>Garbage Utility</u>	<u>Storm Water Drainage Utility</u>	<u>Nonmajor</u>	<u>Total</u>
\$141,615	\$ 49,668	\$ -	\$ 387,284
-	-	3,000	17,741
<u>\$141,615</u>	<u>\$ 49,668</u>	<u>\$ 3,000</u>	<u>\$ 405,025</u>
<u>129,836</u>	-	-	<u>344,965</u>
<u>\$ 11,779</u>	<u>\$ 49,668</u>	<u>\$ 3,000</u>	<u>\$ 60,060</u>
\$ -	\$ -	\$ -	\$ 680
3,600	-	-	3,826
-	-	-	(12,359)
<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,853)</u>
\$ 15,379	\$ 49,668	\$ 3,000	\$ 52,207
26,094	10,712	11,250	276,382
<u>\$ 41,473</u>	<u>\$ 60,380</u>	<u>\$ 14,250</u>	<u>\$ 328,589</u>
\$ -	\$ -	\$ -	\$ 54,250
41,473	60,380	14,250	274,339
<u>\$ 41,473</u>	<u>\$ 60,380</u>	<u>\$ 14,250</u>	<u>\$ 328,589</u>

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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, sewer, garbage and storm water drainage 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 following boards and commissions: Butler County Assessor's Conference Board, Butler County Solid Waste Commission, Iowa Northland Regional Council of Governments, Butler County Emergency Management Commission and Butler County Joint E911 Service Board.

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 service.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

Expendable 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 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 and proprietary funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The 2008 Flood-Community Disaster Fund is utilized for activity to compete the flood project.

The 2010 Disaster Recovery-CDBG Fund is used to account for grant collections to be used for disaster clean up.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

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

Capital Projects:

The Library Expansion Project Fund is used to account for construction.

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

The Permanent, Cemetery Perpetual Care Fund is used to account for the sale of cemetery lots.

The City reports the following major proprietary funds:

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

The Enterprise, Customer Deposits Fund is utilized to account for deposits made.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Utility Fund accounts for the operation and maintenance of the City's garbage system.

The Enterprise, Storm Water Drainage Utility Fund accounts for additional funding to assist with the 2010 Disaster Recovery-CDBG project.

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation and general government functions prior to amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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) in 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, 2011

(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	9/04/2007	11/1/2007	7/08/2009	10/7/2009
Original amount	\$ 83,000	\$125,000	\$ 200,000	\$ 85,512	\$ 100,000	\$ 125,000
Interest Rate	4.375	4.05	4.05	4.05	4.300	3.900
Payment dates	quarterly	quarterly	quarterly	quarterly	quarterly	quarterly
Payment amount	\$ 2,576	\$ 6,900	\$ 6,106	\$ 2,846	\$ 3,090	\$ 6,903
Maturity date	9/15/2012	12/15/2011	9/15/2017	12/15/2016	6/15/2019	6/15/2019
Collateral	none	none	none	none	none	none

At June 30, 2011:

Number of payments remaining	5	2	25	22	32	13
Outstanding balance	\$ 12,087	\$ 13,079	\$ 133,835	\$ 37,855	\$ 82,712	\$ 83,401

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, was \$17,280, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 5 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with UnitedHealthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is \$540 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2011, the City contributed \$46,331 and plan members eligible for benefits did not contribute to the plan.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and personal leave 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, comp time and personal leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 9,026
Comp time	402
Personal leave	1,542
Total	<u>\$10,970</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Risk Management

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 645 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 150 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, 2011 were \$17,795.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(7) Risk Management - continued

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2011, 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 public employee dishonesty coverage and workers compensation coverage. 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 during the fiscal year ended June 30, 2011.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

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

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

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(9) **Deficit Balance**

The Special Revenue, 2010 Disaster Recovery-CDBG Fund had a deficit balance of \$51,172 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

(10) **Commitment**

At June 30, 2011, the following construction commitment had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
2011 Water Improvement Project	<u>\$ 85,120</u>	<u>\$ 78,043</u>

(11) **Subsequent Event**

On July 19, 2011 the City approved the issuance of \$350,000 of general obligation capital loan notes.

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, 2011

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required to be Budgeted</u>
RECEIPTS:			
Property tax	\$ 417,357	\$ -	\$ -
Other city tax	67,918	-	-
Licenses and permits	7,948	-	-
Use of money and property	14,351	680	-
Intergovernmental	319,225	-	-
Charges for service	60,094	387,284	-
Special assessments	257	-	-
Miscellaneous	171,227	21,567	-
Total receipts	<u>\$ 1,058,377</u>	<u>\$ 409,531</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 164,647	\$ -	\$ -
Public works	82,223	-	-
Culture and recreation	118,474	-	-
Community and economic development	219,982	-	-
General government	119,486	-	-
Debt service	112,686	-	-
Capital projects	190,959	-	-
Business type activities	-	357,324	-
Total disbursements	<u>\$ 1,008,457</u>	<u>\$ 357,324</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 49,920	\$ 52,207	\$ -
Balances beginning of year	<u>653,282</u>	<u>276,382</u>	<u>-</u>
Balances end of year	<u>\$ 703,202</u>	<u>\$ 328,589</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 417,357	\$ 406,122	\$ 406,122	\$ 11,235
67,918	101,366	101,366	(33,448)
7,948	7,060	7,060	888
15,031	11,100	11,100	3,931
319,225	2,169,250	2,169,250	(1,850,025)
447,378	566,800	566,800	(119,422)
257	107	107	150
192,794	696,000	696,000	(503,206)
<u>\$1,467,908</u>	<u>\$3,957,805</u>	<u>\$ 3,957,805</u>	<u>\$(2,489,897)</u>
\$ 164,647	\$ 170,341	\$ 170,341	\$ 5,694
82,223	193,360	193,360	111,137
118,474	109,227	119,227	753
219,982	2,738,265	2,738,265	2,518,283
119,486	117,512	127,512	8,026
112,686	136,241	136,241	23,555
190,959	200,000	200,000	9,041
357,324	491,703	491,703	134,379
<u>\$1,365,781</u>	<u>\$4,156,649</u>	<u>\$ 4,176,649</u>	<u>\$ 2,810,868</u>
\$ 102,127	\$ (198,844)	\$ (218,844)	\$ 320,971
<u>929,664</u>	<u>678,640</u>	<u>678,640</u>	<u>251,024</u>
<u>\$1,031,791</u>	<u>\$ 479,796</u>	<u>\$ 459,796</u>	<u>\$ 571,995</u>

CITY OF CLARKSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2011

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. 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 Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$20,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation and general government functions prior to 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, 2011

	S p e c i a l		
	Employee Benefits	LOST- Property Improvements	LOST- Recreation
RECEIPTS:			
Property tax	\$ 57,533	\$ -	\$ -
Other city tax	-	23,771	20,376
Licenses and permits	-	425	-
Intergovernmental	-	-	-
Miscellaneous	-	2,500	2,382
Total receipts	\$ 57,533	\$ 26,696	\$ 22,758
DISBURSEMENTS:			
Operating:			
Public safety	\$ 31,945	\$ -	\$ -
Culture and recreation	19,222	-	-
Community and economic development	-	42,970	1,193
General government	13,976	-	-
Capital projects	-	-	-
Total disbursements	\$ 65,143	\$ 42,970	\$ 1,193
Excess (deficiency) of receipts over (under) disbursements	\$ (7,610)	\$ (16,274)	\$ 21,565
Other financing uses:			
Operating transfers out	-	-	-
Net change in cash balances	\$ (7,610)	\$ (16,274)	\$ 21,565
Cash balances beginning of year	7,705	25,067	(4,881)
Cash balances end of year	\$ 95	\$ 8,793	\$ 16,684
Cash Basis Fund Balances			
Restricted for other purposes	\$ 95	\$ 8,793	\$ 16,684

See Accompanying Independent Auditor's Report.

<u>R e v e n u e</u>		<u>Capital Projects</u>	
<u>LOST- General Tax Relief</u>	<u>2008 Flood- FEMA</u>	<u>Fire Operations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 57,533
23,771	-	-	67,918
-	-	-	425
-	-	26,752	26,752
-	-	-	4,882
<u>\$ 23,771</u>	<u>\$ -</u>	<u>\$ 26,752</u>	<u>\$ 157,510</u>
\$ -	\$ -	\$ -	\$ 31,945
-	-	-	19,222
-	-	-	44,163
-	-	-	13,976
-	5,926	69,225	75,151
<u>\$ -</u>	<u>\$ 5,926</u>	<u>\$ 69,225</u>	<u>\$ 184,457</u>
\$ 23,771	\$ (5,926)	\$ (42,473)	\$ (26,947)
<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
\$ 3,771	\$ (5,926)	\$ (42,473)	\$ (46,947)
<u>17,915</u>	<u>5,926</u>	<u>42,473</u>	<u>94,205</u>
<u>\$ 21,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,258</u>
<u>\$ 21,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,258</u>

Other Supplementary Information

CITY OF CLARKSVILLE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise</u> <u>Water Tower</u> <u>Lease</u>
Operating receipts:	
Miscellaneous	\$ 3,000
Operating disbursements:	
None	-
Net change in cash balance	\$ 3,000
Cash balance beginning of year	<u>11,250</u>
Cash balance end of year	<u>\$ 14,250</u>
Cash Basis Fund Balance	
Unassigned	<u>\$ 14,250</u>

See Accompanying Independent Auditor's Report.

CITY OF CLARKSVILLE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Notes Payable:			
2002 Ambulance	09/05/02	4.375%	\$ 83,000
2003 Fire Truck	07/01/03	4.125	182,000
2006 Equipment	02/05/07	4.050	125,000
2007 Fire Station	09/04/07	4.050	200,000
2008 Fire Truck	11/01/07	4.050	85,512
2009 Water Tower	07/08/09	4.300	100,000
2009 Equipment	10/07/09	3.900	125,000
Total indebtedness			

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>
\$ 21,605	\$ -	\$ 9,518	\$ 12,087	\$ 787	\$ -
11,136	-	11,136	-	227	-
39,483	-	26,404	13,079	1,196	-
152,400	-	18,565	133,835	5,858	-
47,448	-	9,593	37,855	1,792	-
91,252	-	8,540	82,712	3,819	-
107,144	-	23,743	83,401	3,867	-
<u>\$ 470,468</u>	<u>\$ -</u>	<u>\$107,499</u>	<u>\$ 362,969</u>	<u>\$ 17,546</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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 29, 2011. 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, 2010. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarksville's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), (C), (D), (E) and (F) and to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

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 which 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, 2011 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, and 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 29, 2011

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) 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.

- (B) Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

- (C) Posting of Financial Transactions - Receipts and disbursements were not always posted to the correct accounts.

Recommendation - More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response - In the future, more care will be exercised when posting transactions.

Conclusion - Response accepted.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements: - continued

- (D) Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that city officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- (E) Customer Deposits - The City has a listing of the meter deposits held by the City, however, there is a variance between the balance in the fund and the listing.

Recommendation - The liability of the City should be determined and better control over meter deposits should be maintained.

Response - We will review the listing and try and locate the variance.

Conclusion - Response accepted.

- (F) ACH Withdrawals - An ACH withdrawal was posted to the City's bank account prior to the date intended.

Recommendation - More care should be exercised when communicating with financial institutions to avoid incidences of errors.

Response - We will be more careful in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting

- (1) Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the culture and recreation and general government functions prior to 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.

Response - The budget will be amended in the future.

Conclusion - Response accepted.

- (2) 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.

- (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 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 insure that the coverage is adequate for current operations.

- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. However, I noted that the minutes listed disbursements by program, not by fund, as required by Chapter 380.7(3) of the Code of Iowa.

Recommendation - The City should list all disbursements by fund in order to be in compliance with the Code of Iowa.

Response - We will do this.

Conclusion - Response acknowledged.

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

- (8) Financial Condition - The Special Revenue, 2010 Disaster Recover-CDBG Fund had a deficit balance of \$51,172 at June 30, 2011.

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

Response - The deficit was due to project expenses incurred prior to receipts of a state grant. The deficit will be eliminated upon receipt of the grant.

Conclusion - Response accepted.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting: - continued

(9) Official Depositories - A resolution naming official depositories and maximum deposits has been approved by the City, however, the resolution was exceeded during the year.

Recommendation - The council should approve a resolution in amounts sufficient to cover anticipated balances for all depositories.

Response - We will review our depository and maximum amount.

Conclusion - Response accepted.