

CLARKE COUNTY RESERVOIR COMMISSION

INDEPENDENT AUDITOR'S REPORT

BASIC FINANCIAL STATEMENTS

June 30, 2012

CLARKE COUNTY RESERVOIR COMMISSION

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CLARKE COUNTY RESERVOIR COMMISSION

Officials

Administrative Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
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	Clarke County Conservation Board
Scott Busick	Member	City of Murray
Anne Welker	Member	Member at Large

**TED WILLETS**  
CERTIFIED PUBLIC ACCOUNTANT  
904 N. SUMNER - Box 128  
CRESTON, IOWA 50801  
—  
641-782-5585

MEMBER OF  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
—  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012. 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 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 misstatements. 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 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, 2012 and the changes in its net assets and cash flow 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 9, 2012, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic statements in an appropriate operational, economic, or historic context. My opinion on the basic financial statements is not affected by the missing information.

*Ted Willets CPA*  
October 9, 2012

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current Assets	
Cash	\$ 2,922,895
Accounts receivable	259,308
Prepaid expenses	<u>2,285</u>
Total Current Assets	<u>3,184,488</u>
Total Assets	<u>\$ 3,184,488</u>

LIABILITIES NET ASSETS

Current Liabilities	
Accounts payable	\$ <u>335</u>
Total Current Liabilities	\$ <u>335</u>
Net Assets	
Unrestricted	43,964
Temporarily restricted	<u>3,140,189</u>
Total Net Assets	<u>3,184,153</u>
Total Net Assets and Liabilities	<u>\$ 3,184,488</u>

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, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Local option sales and service tax	\$ ---	\$ 1,008,273	\$ 1,008,273
Sponsor fees	39,500	---	39,500
Interest	10,612	---	10,612
Net assets released from restrictions	<u>120,047</u>	<u>( 120,047)</u>	<u>---</u>
Total revenue and support	<u>170,159</u>	<u>888,226</u>	<u>1,058,385</u>
Expenses			
Professional fees	131,198	---	131,198
Advertising	1,367	---	1,367
Insurance	1,572	---	1,572
Postage	1,037	---	1,037
Other	<u>698</u>	<u>---</u>	<u>698</u>
Total expenses	<u>135,872</u>	<u>---</u>	<u>135,872</u>
Change in net assets from operations	34,287	888,226	922,513
Net assets beginning of year	<u>9,677</u>	<u>2,251,963</u>	<u>2,261,640</u>
Net assets end of	<u>\$ 43,964</u>	<u>\$ 3,140,189</u>	<u>\$ 3,184,153</u>

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

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 922,513
Adjustments to reconcile change in net assets to	
Net cash provided from operating activities:	
(Increase) in accounts receivable	( 49,084)
(Increase) in prepaid expenses	( 917)
(Decrease) in accounts payable	<u>( 27,421)</u>
Net cash provided from operating activities	<u>845,091</u>
Net increase in cash	845,091
Cash at beginning of year	<u>2,077,804</u>
Cash at end of year	<u>\$ 2,922,895</u>

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.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Cash and Cash Equivalents

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

Subsequent Events

Management has reviewed events subsequent to June 30, 2012 through October 9, 2012 and believes there were no events that would have had a material affect on these financial statements.

Note 3 Temporarily Restricted Assets

Temporarily restricted net assets consist of local option sales and service tax funds Clarke County Reservoir Commission 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 Clarke County Reservoir and related infrastructure until such time as all debt incurred is fully paid. The balance at June 30, 2012 was \$ 357,151

2009 and 2010 referendum revenue to be used to fund, under one or more agreements, the acquisition of land, planning, design, construction, equipping and maintenance while project debt is outstanding for the Clarke County Reservoir Project. The balance at June 30, 2012 was \$ 2,792,038.

**TED WILLETS**

CERTIFIED PUBLIC ACCOUNTANT

904 N. SUMNER - Box 128

CRESTON, IOWA 50801

641-782-5585

MEMBER OF  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

Sponsors

Clarke County Reservoir Commission  
Oscola, Iowa

I have audited the financial statements of Clarke County Reservoir Commission as of and for the year ended June 30, 2012 and have issued my report thereon dated October 9, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the 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 of 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, significant deficiencies, or material weaknesses. I did not identify any deficiencies in the internal over financial reporting that I consider to be a material weakness, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County Reservoir Commission's 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 the 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 Sponsors and is not intended to be and should not be used by anyone other than these specific parties.

*Ted Wilkes CPA*  
October 9, 2012

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CERTIFIED PUBLIC ACCOUNTANT  
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CRESTON, IOWA 50801  
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October 9, 2012

To the Board of Directors  
Clarke County Reservoir Commission

I have audited the financial statements of Clarke County Reservoir Commission for the year ended June 30, 2012, and have issued my report thereon dated October 9, 2012. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 24, 2012. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clarke County Reservoir Commission are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit.*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to communicate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. I am pleased to report there were no such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management's Representations*

I have requested certain representations from management that are included in the management representation letter dated October 5, 2012.

*Other Audit findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not condition to my retention.

This information is intended solely for the use of Clarke County Reservoir Commission Board of Directors and management of Clarke County Reservoir Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Ted Willett CPA*