

CLARKE COUNTY RESERVOIR COMMISSION

INDEPENDENT AUDITOR'S REPORT

BASIC FINANCIAL STATEMENTS

June 30, 2014

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
Susan Wilder	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

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of Clarke County Reservoir Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 11, 2014, 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 in considering Clarke County Reservoir Commission's internal control over financial reporting and compliance.

Ted Willetts CPA

Creston, Iowa
September 11, 2014

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current Assets	
Cash	\$ 8,707,619
Accounts receivable	232,276
Prepaid expenses	<u>2,278</u>
Total Current Assets	<u>8,942,173</u>
Total Assets	<u>\$ 8,942,173</u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ <u>6,778</u>
Total Current Liabilities	<u>\$ 6,778</u>

NET POSITION

Net Position	
Unrestricted	37,626
Temporarily restricted	<u>8,897,769</u>
Total Net Position	<u>8,935,395</u>
Total Net Position and Liabilities	<u>\$ 8,942,173</u>

See notes to financial statements.

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Local option sales and service tax	\$ ---	\$ 939,745	\$ 939,745
Casino	---	245,797	245,797
Sponsor fees	38,500	---	38,500
Interest	32,291	---	32,291
Net assets released from restrictions	<u>226,371</u>	<u>(226,371)</u>	<u>---</u>
Total revenue and support	<u>297,162</u>	<u>959,171</u>	<u>1,256,333</u>
Expenses			
Professional fees	294,777	---	294,777
Advertising	1,072	---	1,072
Insurance	2,490	---	2,490
Postage	700	---	700
Other	<u>67</u>	<u>---</u>	<u>67</u>
Total expenses	<u>299,106</u>	<u>---</u>	<u>299,106</u>
Change in net position from operations	(1,944)	959,171	957,227
Net position beginning of year	<u>39,570</u>	<u>7,938,598</u>	<u>7,978,168</u>
Net position end of year	<u>\$ 37,626</u>	<u>\$ 8,897,769</u>	<u>\$ 8,935,395</u>

See notes to financial statements.

CLARKE COUNTY RESERVOIR COMMISSION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 957,227
Adjustments to reconcile change in net assets to Net cash provided from operating activities:	
(Increase) in accounts receivable	(56,060)
Decrease in prepaid expenses	1
(Decrease) in accounts payable	<u>(12,864)</u>
Net cash provided from operating activities	<u>888,304</u>
Net increase in cash	888,304
Cash at beginning of year	<u>7,819,315</u>
Cash at end of year	<u>\$ 8,707,619</u>

See notes to financial statements.

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, 2014 through September 11, 2014 and believes there were no events that would have had a material affect on these financial statements.

Note 3 Temporarily Restricted Position

Temporarily restricted net position 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.

Also, moneys received from an agreement between City of Osceola, Osceola Water Works Board of Trustees, Clarke County Development (Commission) and Southern Iowa Gaming Co., Herbst Gaming Inc. and by assignment Affinity Gaming Inc. (Casino) for the creation of the Water Supply Reservoir.

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, 2014 was \$ 363,373

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, 2014 was \$ 4,249,345.

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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

Sponsors
Clarke County Reservoir Commission
Oscola, Iowa

I have audited, 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, the financial statements of Clarke County Reservoir Commission as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, and have issued my report thereon dated September 11, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Clarke County Reservoir Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County Reservoir Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Clarke County Reservoir Commission's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in the internal over financial reporting that I consider to be a material weakness.

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 a material misstatement of the Clarke County Reservoir Commission's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, of 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.

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me 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.

Ted Wilber, CPA

Creston, Iowa
September 11, 2014