

LUCAS COUNTY

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

JUNE 30, 2007

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LUCAS COUNTY

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|----------------------|----------------------------------|
| (Before January 2007) | | |
| Clarence Gee | Board of Supervisors | Jan. 2009 |
| Cathy Reece | Board of Supervisors | Jan. 2009 |
| Larry Davis | Board of Supervisors | Jan. 2007 |
| Julie Masters | County Auditor | Jan. 2009 |
| Phyllis Baker | County Treasurer | Jan. 2007 |
| Jacque Gober | County Recorder | (Appointed April 2006) Nov. 2006 |
| Treva White | County Recorder | Jan. 2007 |
| Delbert Longley | County Sheriff | Jan. 2009 |
| Paul Goldsmith | County Attorney | Jan. 2007 |
| Tim McGee | County Assessor | Jan. 2010 |
| (After January 2007) | | |
| Clarence Gee | Board of Supervisors | Jan. 2009 |
| Cathy Reece | Board of Supervisors | Jan. 2009 |
| Larry Davis | Board of Supervisors | Jan. 2011 |
| Julie Masters | County Auditor | Jan. 2009 |
| Phyllis Baker | County Treasurer | Jan. 2011 |
| Treva White | County Recorder | Jan. 2011 |
| Delbert Longley | County Sheriff | (Resigned April 2007) |
| Jim Baker | County Sheriff | (Appointed April 2007) Jan. 2009 |
| Paul Goldsmith | County Attorney | Jan. 2011 |
| Tim McGee | County Assessor | Jan. 2010 |

INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lucas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County as of June 30, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2008 on our consideration of Lucas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our 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 our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Lucas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2004 (none of which are presented herein) were audited by other auditors who expressed qualified opinions on those financial statements due to the omission of the materials and supplies inventories pertaining to the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 5 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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lucas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues decreased \$340,932 from fiscal year 2006 to 2007. Property and other county tax increased \$24,648 intergovernmental revenues decreased \$308,139 and charges for service and other miscellaneous revenues decreased by \$57,441

- The County's Governmental fund expenditures decreased \$780,117 from fiscal 2006 to fiscal 2007. Public safety and legal services decreased \$100,463, County environment and education decreased \$19,256, Roads and Transportation decreased \$325,932, Government services to residents and administration decreased \$17,125, and Capital Projects decreased \$714,241. There were a few increases as well. Physical Health and Social Services increased \$17,256, Mental Health increased \$155,419, Debt service increased \$51,077 and Non-program increased \$173,148.

- The County's governmental activities net assets decreased \$468,786 from June 30, 2006 to June 30, 2007.

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 County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lucas County as a whole and present an overall view of the County'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 Lucas County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lucas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency 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 County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that is available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental 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 County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others, which cannot be used to support the County's, own programs. These fiduciary funds include Agency Funds that account for auto license and use tax, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities.

| Net Assets of Governmental Activities | | |
|---|-------------------|-------------------|
| | June 30 | |
| | 2006 | 2007 |
| Current and other assets | \$5,986,273 | 5,755,928 |
| Capital assets | <u>7,278,971</u> | <u>6,959,355</u> |
| Total Assets | <u>13,265,244</u> | <u>12,715,283</u> |
| Long-Term liabilities | 330,553 | 265,450 |
| Other Liabilities | <u>3,041,168</u> | <u>3,025,096</u> |
| Total liabilities | <u>3,371,721</u> | <u>3,290,546</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 7,106,872 | 6,842,285 |
| Restricted | 2,928,475 | 2,574,553 |
| Unrestricted | <u>(141,824)</u> | <u>7,899</u> |
| Total net assets | <u>9,893,523</u> | <u>9,424,737</u> |

Net assets of Lucas County’s governmental activities decreased by approximately 5% (\$9.89 million compared to \$9.42 million). The largest portion of the County’s net assets is the invested in capital assets net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$7,899 at June 30, 2007.

Changes in Net Assets of Governmental Activities

| | Year Ended June 30 | |
|--|--------------------|------------------|
| | 2006 | 2007 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for service | \$ 463,223 | 457,356 |
| Operating grants, contributions & restricted interest | 2,523,667 | 2,310,062 |
| Capital grants, contributions, and restricted interest | 2,061,527 | 161,418 |
| General Revenues | | |
| Property tax | 2,587,623 | 2,598,386 |
| Penalty and interest on property tax | 39,016 | 41,365 |
| State Tax Credits | 180,716 | 178,640 |
| Payments in lieu of taxes | 0 | 4,799 |
| Unrestricted investment earnings | 130,969 | 151,310 |
| Other general revenues | <u>48,857</u> | <u>70,279</u> |
| Total Revenues | <u>8,035,598</u> | <u>5,973,615</u> |
| | Program Expenses | |
| Public Safety and Legal Services | 912,168 | 822,957 |
| Physical health and social services | 469,564 | 481,677 |
| Mental Health | 799,771 | 956,545 |
| County environment and education | 221,700 | 205,687 |
| Roads and transportation | 2,825,310 | 2,765,866 |
| Government services to residents | 227,057 | 241,507 |
| Administration | 730,584 | 787,784 |
| Non-current program | | 173,148 |
| Interest on long-term debt | 8,287 | 7,230 |

| | | |
|------------------------------|-----------|-----------|
| Total Expenses | 6,194,441 | 6,442,401 |
| Change in Net Assets | 1,841,157 | (468,786) |
| Net assets beginning of year | 8,052,366 | 9,893,523 |
| Net assets end of year | 9,893,523 | 9,424,737 |

The County increased Levy rates FY2007 by \$.09014 per \$1000.00 valuation. This increase, due to a decrease in rural valuations, was necessary to generate the money needed to maintain county services. Property tax revenue increased from 2006 by approximately \$11,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$2.66 million, which is down approximately \$225,000 from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$11,529 over the prior year, mainly due to increases in intergovernmental revenues and use of money and property. Expenditures increased \$76,304 due mainly to increases in administration costs including but not limited to health insurance and building maintenance.
- Mental Health Fund revenues increased \$30,722 from the prior year due to an increase in the property tax levy, intergovernmental revenues, and charges for services. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$953,109, an increase of \$155,419 from the prior year due mainly to the rising cost of services to clients and an increase in the number of clients served. The Mental Health fund balance at the end of the year decreased \$253,363 from the prior year.
- The Rural Services Fund showed an increase in revenue. An increase in property and other taxes collected, intergovernmental revenues and charges for service making an increase of \$30,529. Expenditures decreased \$15,384 due to a decrease in Public Safety, Secondary Roads, and Administration costs. The Rural Services Fund balance decreased by \$38,354 from the prior year.
- Secondary Roads Fund revenues decreased by \$444,212 for the year mainly due to a decrease in Intergovernmental revenues and miscellaneous fees collected. Expenditures in Roads and transportation also decreased by \$330,796 and Capital project expenditures decreased by \$668,442. The ending fund balance showed an increase of \$62,958 from last year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lucas County amended its budget 1 time. The amendment was necessary for various reasons including an increase in estimated revenues and increase in expenditures. Disbursements exceeded the amount budgeted in the Debt Service function at years end due to payment of installment and interest on the interfund operating loan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Lucas County had approximately \$6.96 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

| | Balance | |
|---|------------------|------------------|
| | June 30, 2006 | June 30, 2007 |
| Governmental activities | | |
| Capital assets not being depreciated: | | |
| Land | \$ 659,457 | \$659,457 |
| Construction in progress | <u>265,103</u> | <u>75,037</u> |
| Total Capital assets not being depreciated | <u>924,560</u> | <u>734,494</u> |
| Capital assets being depreciated: | | |
| Buildings | \$676,414 | 676,414 |
| Machinery and equipment | 3,522,840 | 3,550,240 |
| Infrastructure | <u>4,708,858</u> | <u>5,021,951</u> |
| Total Capital assets being depreciated | <u>8,908,112</u> | <u>9,248,605</u> |
| Less accumulated depreciation for: | | |
| Buildings | 144,846 | 156,634 |
| Machinery and equipment | 1,912,044 | 2,078,516 |
| Infrastructure | <u>496,811</u> | <u>788,594</u> |
| Total Accumulated depreciation | <u>2,553,701</u> | <u>3,023,744</u> |
| Total Capital Assets being depreciated, net | <u>6,354,411</u> | <u>6,224,861</u> |
| Governmental activities capital assets, net | <u>7,278,971</u> | <u>6,959,355</u> |

The County had depreciation expense of \$492,243, in FY 2007 and total accumulated depreciation of \$3,023,744 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

At June 30, 2007 Lucas County had \$148,380 in compensated absences as compared to approximately \$158,454 on June 30, 2006, and a decrease of \$55,029 in General Obligation Notes with \$57,306 due within 1 year. The General Obligation Note was to pay a portion to the cost of making repairs to the Courthouse roof, installing handicapped accessible doors at the Courthouse and acquiring equipment for use at the courthouse. During the prior year, the General Supplemental Fund loaned the General Basic Fund \$200,000 to help temporarily finance operating expenses. The loan will be paid back with interest in four equal annual installments. The balance on the

loan as of June 30, 2007 was \$150,187. More detailed information can be found in Note 7 to the financial statements.

Short -Term Debt Activity

During the year ended June 30, 2007 the county entered into a short-term loan from the General Supplemental Fund to the General Basic Fund to help provide temporary financing during a period of low cash flows and a general obligation note to purchase two Sheriff's vehicles. Further information is detailed in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Lucas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and the fees that will be charged for various County activities. In an ongoing effort to maintain County services with the least possible increase to tax levies, the Lucas County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances, and reducing funding to non-mandated programs to provide essential services for the citizens of Lucas County.

Budgeted disbursements in the FY 2008 operating budget are \$8,992,655, a decrease of approximately 3% over the final FY 2007 budget. Lucas County has spent down fund balances to finance programs currently offered due to the effect inflation has on program costs. Increases in costs related to Adult Correctional Services, Insurance premiums, heating and electric costs, maintenance on building and contents were a large portion of the increased expenses. Lucas County has added no major programs to the FY 2008 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lucas County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lucas Auditor's Office, 916 Braden Avenue, Chariton, Iowa

Basic Financial Statements

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 2,474,870 |
| Receivables: | |
| Property tax: | |
| Delinquent | 15,568 |
| Succeeding year | 2,770,000 |
| Interest and penalty on property tax | 34,697 |
| Accounts | 10,166 |
| Accrued interest | 16,454 |
| Due from other governments | 228,718 |
| Contract receivable (note 4) | 19,731 |
| Inventories | 185,724 |
| Capital assets, net of accumulated depreciation (note 5) | <u>6,959,355</u> |
| Total assets | <u>12,715,283</u> |
| Liabilities | |
| Accounts payable | 133,281 |
| Salaries and benefits payable | 33,509 |
| Due to other governments (note 6) | 87,921 |
| Accrued interest payable | 385 |
| Deferred revenue: | |
| Succeeding year property tax | 2,770,000 |
| Long-term liabilities (note 7): | |
| Portion due or payable within one year: | |
| General obligation notes | 57,306 |
| Compensated absences | 148,380 |
| Portion due or payable after one year: | |
| General obligation notes | <u>59,764</u> |
| Total liabilities | <u>3,290,546</u> |

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 6,842,285 |
| Restricted for: | |
| Supplemental levy purposes | 626,008 |
| Mental health purposes | 384,756 |
| Rural services | 73,164 |
| Secondary roads | 1,288,123 |
| Debt service | 6,241 |
| Capital projects | 1,443 |
| Other special revenue purposes | 194,818 |
| Unrestricted | <u>7,899</u> |
| Total net assets | <u>\$ 9,424,737</u> |

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and and Changes in Net Assets |
|---|---------------------|-------------------------|---|--|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| Public safety and legal services | \$ 822,957 | \$ 113,072 | \$ 9,488 | \$ - | (700,397) |
| Physical health and social services | 481,677 | 24,848 | 152,803 | - | (304,026) |
| Mental health | 956,545 | 8,202 | 350,897 | - | (597,446) |
| County environment and education | 205,687 | 34,089 | 25,996 | - | (145,602) |
| Roads and transportation | 2,765,866 | 118,263 | 1,596,154 | 161,418 | (890,031) |
| Government services to residents | 241,507 | 151,547 | 412 | - | (89,548) |
| Administration | 787,784 | 7,335 | - | - | (780,449) |
| Non-program | 173,148 | - | 173,148 | - | - |
| Interest on long-term debt | 7,230 | - | 1,164 | - | (6,066) |
| Total | \$ 6,442,401 | \$ 457,356 | \$ 2,310,062 | \$ 161,418 | (3,513,565) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 2,499,125 |
| Debt service | | | | | 99,261 |
| Penalty and interest on property tax | | | | | 41,365 |
| State tax credits | | | | | 178,640 |
| Payments in lieu of taxes | | | | | 4,799 |
| Unrestricted investment earnings | | | | | 151,310 |
| Miscellaneous | | | | | 70,279 |
| Total general revenues | | | | | 3,044,779 |
| Change in net assets | | | | | (468,786) |
| Net assets beginning of year | | | | | 9,893,523 |
| Net assets end of year | | | | | \$ 9,424,737 |

See notes to financial statements.

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LUCAS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | | Special Revenue | | |
|--------------------------------------|------------------|-------------------|--------------------|--------------|
| General | Mental Health | Rural Services | Secondary Roads | |
| Assets | | | | |
| Cash and pooled investments | \$ 563,358 | \$ 492,168 | \$ 152,329 | \$ 1,066,117 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 10,634 | 2,281 | 1,950 | - |
| Succeeding year | 1,620,000 | 356,000 | 696,000 | - |
| Interest and penalty on property tax | 34,697 | - | - | - |
| Accounts | 5,198 | 570 | - | 4,090 |
| Accrued interest | 14,964 | - | - | - |
| Due from other governments | 34,849 | 1,862 | - | 191,368 |
| Contract receivable (note 4) | - | - | - | 19,731 |
| Inventories | - | - | - | 185,724 |
| | | | | |
| Total assets | \$ 2,283,700 | \$ 852,881 | \$ 850,279 | \$ 1,467,030 |

| <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---|
| \$ 200,898 | \$ 2,474,870 |
| 703 | 15,568 |
| 98,000 | 2,770,000 |
| - | 34,697 |
| 308 | 10,166 |
| 1,490 | 16,454 |
| 639 | 228,718 |
| - | 19,731 |
| - | 185,724 |
| <u>\$ 302,038</u> | <u>\$ 5,755,928</u> |

LUCAS COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | Special Revenue | | | |
|--|---------------------|-------------------|-------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 28,478 | \$ 29,302 | \$ 274 | \$ 74,076 |
| Salaries and benefits payable | 11,401 | 560 | 2,374 | 19,174 |
| Due to other governments (note 6) | 9,237 | 78,684 | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,620,000 | 356,000 | 696,000 | - |
| Other | 45,331 | 2,281 | 1,950 | 19,731 |
| Total liabilities | 1,714,447 | 466,827 | 700,598 | 112,981 |
| Fund balance: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 185,724 |
| Supplemental levy purposes | 553,261 | - | 76,971 | - |
| Debt service | - | - | - | - |
| Cemetery levy | 1,423 | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 14,569 | - | - | - |
| Special revenue funds | - | 386,054 | 72,710 | 1,168,325 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 569,253 | 386,054 | 149,681 | 1,354,049 |
| Total liabilities and fund balances | \$ 2,283,700 | \$ 852,881 | \$ 850,279 | \$ 1,467,030 |

See notes to financial statements.

| <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---|
| \$ 1,151 | \$ 133,281 |
| - | 33,509 |
| - | 87,921 |
| 98,000 | 2,770,000 |
| 703 | 69,996 |
| 99,854 | 3,094,707 |
| - | 185,724 |
| - | 630,232 |
| 5,923 | 5,923 |
| - | 1,423 |
| - | 14,569 |
| 194,818 | 1,821,907 |
| 1,443 | 1,443 |
| 202,184 | 2,661,221 |
| \$ 302,038 | \$ 5,755,928 |

LUCAS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

| | |
|---|----------------------------|
| Total fund balances of governmental funds | \$ 2,661,221 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$9,983,099 and the accumulated depreciation is \$3,023,744. | 6,959,355 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 69,996 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (385) |
| Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(265,450)</u> |
| Net assets of governmental activities | <u><u>\$ 9,424,737</u></u> |

See notes to financial statements.

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LUCAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

| | General | Special Revenue | | |
|---|------------------|------------------|------------------|------------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other County tax | \$ 1,481,047 | \$ 317,743 | \$ 697,519 | \$ - |
| Interest and penalty on property tax | 30,623 | - | - | - |
| Intergovernmental | 509,220 | 373,801 | 46,716 | 1,756,700 |
| Licenses and permits | 50 | - | - | 280 |
| Charges for service | 206,730 | 8,202 | 12,685 | - |
| Use of money and property | 151,790 | - | - | - |
| Miscellaneous | 61,892 | - | 12,841 | 121,886 |
| Total revenues | <u>2,441,352</u> | <u>699,746</u> | <u>769,761</u> | <u>1,878,866</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 724,156 | - | 74,067 | - |
| Physical health and social services | 461,016 | - | 24,950 | - |
| Mental health | - | 953,109 | - | - |
| County environment and education | 131,188 | - | 39,587 | - |
| Roads and transportation | - | - | 174,934 | 2,139,695 |
| Government services to residents | 221,711 | - | 1,800 | - |
| Administration | 718,688 | - | 51,905 | - |
| Non-program | 173,148 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 146,698 |
| Total expenditures | <u>2,429,907</u> | <u>953,109</u> | <u>367,243</u> | <u>2,286,393</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>11,445</u> | <u>(253,363)</u> | <u>402,518</u> | <u>(407,527)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 1,943 | - | - | - |
| Interfund transfers in | - | - | - | 470,485 |
| Interfund transfers out | (29,613) | - | (440,872) | - |
| General obligation notes issued | - | - | - | - |
| Total other financing sources (uses) | <u>(27,670)</u> | <u>-</u> | <u>(440,872)</u> | <u>470,485</u> |

| Nonmajor Governmental | | |
|--------------------------|----|------------------|
| <u>Funds</u> | | <u>Total</u> |
| \$ 98,891 | \$ | 2,595,200 |
| - | | 30,623 |
| 19,183 | | 2,705,620 |
| - | | 330 |
| 16,115 | | 243,732 |
| 22,451 | | 174,241 |
| 14,412 | | 211,031 |
| <u>171,052</u> | | <u>5,960,777</u> |
| 854 | | 799,077 |
| - | | 485,966 |
| - | | 953,109 |
| 1,691 | | 172,466 |
| - | | 2,314,629 |
| 1,919 | | 225,430 |
| - | | 770,593 |
| - | | 173,148 |
| 112,440 | | 112,440 |
| 84,513 | | 231,211 |
| <u>201,417</u> | | <u>6,238,069</u> |
| <u>(30,365)</u> | | <u>(277,292)</u> |
| - | | 1,943 |
| - | | 470,485 |
| - | | (470,485) |
| 50,000 | | 50,000 |
| <u>50,000</u> | | <u>51,943</u> |

LUCAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

| | | <u>Special Revenue</u> | | |
|---------------------------------|-------------------|--------------------------|---------------------------|----------------------------|
| | <u>General</u> | <u>Mental Health</u> | <u>Rural Services</u> | <u>Secondary Roads</u> |
| Net change in fund balances | \$ (16,225) | \$ (253,363) | \$ (38,354) | \$ 62,958 |
| Fund balances beginning of year | <u>585,478</u> | <u>639,417</u> | <u>188,035</u> | <u>1,291,091</u> |
| Fund balances end of year | <u>\$ 569,253</u> | <u>\$ 386,054</u> | <u>\$ 149,681</u> | <u>\$ 1,354,049</u> |

See notes to financial statements.

| Nonmajor Governmental Funds | | Total |
|-----------------------------------|-----------------------|-------------------------|
| \$ | 19,635 | \$ (225,349) |
| | <u>182,549</u> | <u>2,886,570</u> |
| \$ | <u><u>202,184</u></u> | <u><u>2,661,221</u></u> |

LUCAS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (225,349)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

| | | | |
|--|----------------------|------------------|-----------|
| | Capital outlays | \$ 172,627 | |
| | Depreciation expense | <u>(492,243)</u> | (319,616) |

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

| | | | |
|--|--------------|--------------|--------|
| | Property tax | 3,186 | |
| | Other | <u>7,709</u> | 10,895 |

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (50,000)

Repayment of note principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net
Assets. 105,029

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

| | | | |
|--|----------------------------|------------|---------------|
| | Compensated absences | 10,074 | |
| | Interest on long-term debt | <u>181</u> | <u>10,255</u> |

Change in net assets of governmental activities \$ (468,786)

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

| | |
|-----------------------------------|--------------------|
| Assets | |
| Cash and pooled investments: | |
| County Treasurer | \$ 484,262 |
| Other County officials | 45,426 |
| Receivables: | |
| Property tax: | |
| Delinquent | 49,695 |
| Succeeding year | 5,864,000 |
| Accounts | 17,612 |
| Accrued interest | 183 |
| Due from other governments | <u>4,066</u> |
| Total assets | <u>6,465,244</u> |
| Liabilities | |
| Accounts payable | 6,721 |
| Salaries and benefits payable | 231 |
| Due to other governments (note 6) | 6,391,497 |
| Trusts payable | 48,389 |
| Compensated absences | <u>18,406</u> |
| Total liabilities | <u>6,465,244</u> |
| Net assets | \$ <u><u>-</u></u> |

See notes to financial statements.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Lucas County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lucas County has included all funds, organizations, agencies, boards, commissions and authorities. The County 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 County are such that exclusion would cause the County'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 County 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 County. Lucas County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lucas County Assessor's Conference Board and Lucas County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southeast Iowa Case Management, Chariton Valley Rural Economic Development Inc., Ten Fifteen Regional Transit Agency, Southeast Iowa Drug Task Force, Lucas County Law Enforcement Center, South Iowa Area Detention Service Agency, Lucas County Solid Waste Management Commission, South Central Iowa Solid Waste Agency, ADLM Counties Environmental Public Health Agency and the Heartland Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure | \$ 65,000 |
| Land, buildings and improvements | 30,000 |
| Equipment and vehicles | 10,000 |

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|------------------------|--|
| Buildings | 25-50 |
| Infrastructure | 4-50 |
| Equipment and vehicles | 5-20 |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function at year end and exceeded the amounts budgeted in the non-program and debt service functions prior to the amendment of the County budget. In addition, disbursements in one department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County 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 Board of Supervisors; 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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 2. Cash and Pooled Investments (continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,656,402 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Interfund Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-------------------------------------|------------------------------------|-------------------|
| Special Revenue: Secondary Roads | General | \$ 29,613 |
| | Special Revenue: Rural Services | <u>440,872</u> |
| Total | | <u>\$ 470,485</u> |

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

Note 4. Contract Receivable – Secondary Roads

As of June 30, 2007, the County has a long-term interest-free contract receivable from the City of Russell for reimbursements from road paving. A summary of the payment schedule is as follows:

| <u>Year Ending June 30,</u> | <u>City of Russell</u> |
|---------------------------------|----------------------------|
| 2008 | \$ 3,033 |
| 2009 | 3,033 |
| 2010 | 3,033 |
| 2011 | 3,033 |
| 2012 | 3,033 |
| 2013 | 3,033 |
| 2014 | <u>1,533</u> |
| | <u>\$ 19,731</u> |

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-------------------|-------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 659,457 | \$ - | \$ - | \$ 659,457 |
| Construction in progress | 265,103 | 123,027 | 313,093 | 75,037 |
| Total capital assets not being depreciated | <u>924,560</u> | <u>123,027</u> | <u>313,093</u> | <u>734,494</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 676,414 | - | - | 676,414 |
| Machinery and equipment | 3,522,840 | 49,600 | 22,200 | 3,550,240 |
| Infrastructure | 4,708,858 | 313,093 | - | 5,021,951 |
| Total capital assets being depreciated | <u>8,908,112</u> | <u>362,693</u> | <u>22,200</u> | <u>9,248,605</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 144,846 | 11,788 | - | 156,634 |
| Machinery and equipment | 1,912,044 | 188,672 | 22,200 | 2,078,516 |
| Infrastructure | 496,811 | 291,783 | - | 788,594 |
| Total accumulated depreciation | <u>2,553,701</u> | <u>492,243</u> | <u>22,200</u> | <u>3,023,744</u> |
| Total capital assets being depreciated, net | <u>6,354,411</u> | <u>(129,550)</u> | <u>-</u> | <u>6,224,861</u> |
| Governmental activities capital assets, net | <u>\$ 7,278,971</u> | <u>\$ (6,523)</u> | <u>\$ 313,093</u> | <u>\$ 6,959,355</u> |

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

| | | |
|--|----|-----------------------|
| Governmental activities: | | |
| Public safety and legal services | \$ | 22,050 |
| Mental health | | 1,395 |
| County environment and education | | 7,634 |
| Roads and transportation | | 433,073 |
| Government services to residents | | 16,124 |
| Administration | | <u>11,967</u> |
| Total depreciation expense - governmental activities | \$ | <u><u>492,243</u></u> |

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|----------------------------|
| General | Services | \$ 9,237 |
| Special Revenue: | | |
| Mental Health | Services | <u>78,684</u> |
| Total for governmental funds | | \$ <u><u>87,921</u></u> |
| Agency: | | |
| County Assessor | Collections | \$ 193,633 |
| Schools | | 3,390,973 |
| Community Colleges | | 191,076 |
| Corporations | | 1,514,035 |
| County Hospital | | 615,083 |
| Auto License and Use Tax | | 144,478 |
| E-911 | | 146,753 |
| All Other | | <u>195,466</u> |
| Total for agency funds | | \$ <u><u>6,391,497</u></u> |

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

| | General Obligation Notes | Compensated Absences | Total |
|---------------------------|--------------------------------|-------------------------|-------------------|
| Balance beginning of year | \$ 172,099 | \$ 158,454 | \$ 330,553 |
| Increases | - | 148,380 | 148,380 |
| Decreases | 55,029 | 158,454 | 213,483 |
| Balance end of year | <u>\$ 117,070</u> | <u>\$ 148,380</u> | <u>\$ 265,450</u> |
| Due within one year | <u>\$ 57,306</u> | <u>\$ 148,380</u> | <u>\$ 205,686</u> |

General Obligation Notes Payable

During the year ended June 30, 2005, the County issued general obligation notes to pay a portion of the cost of making repairs to the Courthouse roof, installing handicapped accessible doors at the Courthouse and acquiring equipment for use at the Courthouse.

A summary of the County's June 30, 2007, general obligation note indebtedness is as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|-------------------|-----------------|-------------------|
| 2008 | 3.95 % | \$ 57,306 | \$ 4,057 | \$ 61,363 |
| 2009 | 3.95 | 59,764 | 1,771 | 61,535 |
| | | <u>\$ 117,070</u> | <u>\$ 5,828</u> | <u>\$ 122,898</u> |

Non-current Interfund Loan

During the year ended June 30, 2006, the General Supplemental Fund loaned the General Basic Fund \$200,000 to help temporarily finance operating expenses. The loan will be paid back to the General Supplemental Fund in four equal annual payments including interest at .25%. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements. The balance as of June 30, 2007 was \$150,187.

Note 8. Short-Term Debt Activity

During the year ended June 30, 2007, the County entered into a short-term loan from the General Supplemental Fund to the General Basic Fund. The loan was necessary to provide temporary financing during the period of low cash flows.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 8. Short-Term Debt Activity (continued)

On July 14, 2006, the County issued \$50,000 of general obligation notes to purchase two Sheriff's vehicles. The note included interest at 4.6% and was repaid during the year.

A summary of the short-term debt activity for the year ended June 30, 2007 is as follows:

| | Balance Beginning of Year | Received | Repaid | Balance End of Year |
|-------------------------|---------------------------------|-------------------|-------------------|---------------------------|
| Interfund loan | \$ - | \$ 300,000 | \$ 300,000 | \$ - |
| General obligation note | - | 50,000 | 50,000 | - |
| | <u>\$ -</u> | <u>\$ 350,000</u> | <u>\$ 350,000</u> | <u>\$ -</u> |

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$130,692, \$127,291 and \$123,806, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Lucas County is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Construction Commitment

The County has entered into contracts totaling \$506,940 for bridge construction. As of June 30, 2007, costs of \$75,037 have been incurred against the contracts. The balance remaining at June 30, 2007 of \$431,903 will be paid as work on the projects progresses.

Note 12. Subsequent Event

In March 2007, the County approved a resolution authorizing a \$43,000 loan agreement to pay the cost of acquiring radio communication equipment for the County Law Center. The County entered into the loan agreement in February 2008. The loan agreement will be repaid by June 30, 2008.

Required Supplementary Information

LUCAS COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Final to Actual Variance |
|---|---------------------|-------------------|---------------------|--------------------------|
| | | Original | Final | |
| RECEIPTS: | | | | |
| Property and other County tax | \$ 2,595,200 | \$ 2,651,778 | \$ 2,651,778 | \$ (56,578) |
| Interest and penalty on property tax | 30,623 | 12,050 | 12,050 | 18,573 |
| Intergovernmental | 2,658,794 | 4,549,733 | 4,616,044 | (1,957,250) |
| Licenses and permits | 330 | 450 | 450 | (120) |
| Charges for service | 236,377 | 244,015 | 260,619 | (24,242) |
| Use of money and property | 172,055 | 91,330 | 123,145 | 48,910 |
| Miscellaneous | 211,366 | 315,293 | 340,294 | (128,928) |
| Total receipts | <u>5,904,745</u> | <u>7,864,649</u> | <u>8,004,380</u> | <u>(2,099,635)</u> |
| DISBURSEMENTS: | | | | |
| Public safety and legal services | 852,217 | 873,353 | 876,653 | 24,436 |
| Physical health and social services | 486,586 | 552,501 | 560,501 | 73,915 |
| Mental health | 929,752 | 1,107,688 | 986,371 | 56,619 |
| County environment and education | 174,108 | 225,256 | 225,256 | 51,148 |
| Roads and transportation | 2,373,837 | 2,720,220 | 2,720,220 | 346,383 |
| Government services to residents | 227,436 | 290,657 | 292,884 | 65,448 |
| Administration | 771,616 | 859,842 | 860,012 | 88,396 |
| Non-program | 173,148 | 121,250 | 173,148 | - |
| Debt service | 112,440 | 111,364 | 111,864 | (576) |
| Capital projects | 326,648 | 2,410,000 | 2,418,360 | 2,091,712 |
| Total disbursements | <u>6,427,788</u> | <u>9,272,131</u> | <u>9,225,269</u> | <u>2,797,481</u> |
| Excess (deficiency) of receipts over (under) disbursements | (523,043) | (1,407,482) | (1,220,889) | 697,846 |
| Other financing sources, net | <u>51,943</u> | <u>107,664</u> | <u>109,107</u> | <u>(57,164)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (471,100) | (1,299,818) | (1,111,782) | 640,682 |
| Balance beginning of year | <u>2,945,970</u> | <u>1,948,467</u> | <u>2,945,968</u> | <u>2</u> |
| Balance end of year | <u>\$ 2,474,870</u> | <u>\$ 648,649</u> | <u>\$ 1,834,186</u> | <u>\$ 640,684</u> |

See accompanying independent auditor's report.

LUCAS COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

| | Governmental Funds | | |
|-------------------------|---------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 5,904,745 | \$ 56,032 | \$ 5,960,777 |
| Expenditures | 6,427,788 | (189,719) | 6,238,069 |
| Net | (523,043) | 245,751 | (277,292) |
| Other financing sources | 51,943 | - | 51,943 |
| Beginning fund balances | 2,945,970 | (59,400) | 2,886,570 |
| Ending fund balances | <u>\$ 2,474,870</u> | <u>\$ 186,351</u> | <u>\$ 2,661,221</u> |

See accompanying independent auditor's report.

LUCAS COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2007

This 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 County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment decreased budgeted disbursements by \$46,862. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function at year end and exceeded the amounts budgeted in the non-program and debt service functions prior to the amendment of the County budget. In addition, disbursements in one department exceeded the amount appropriated.

Other Supplementary Information

LUCAS COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

| | Special Revenue | | | |
|------------------------------------|---|--|-------------------------------------|---------------------------|
| | County Recorder's Records Management | Resource Enhancement and Protection | Conservation Land Acquisition | Prisoner Reimbursement |
| Assets | | | | |
| Cash and pooled investments | \$ 25,791 | \$ 67,157 | \$ 56,720 | \$ 27,003 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Accounts | 158 | 150 | - | - |
| Accrued interest | 37 | 289 | - | - |
| Due from other governments | - | 639 | - | - |
| | | | | |
| Total assets | \$ <u>25,986</u> | \$ <u>68,235</u> | \$ <u>56,720</u> | \$ <u>27,003</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,151 | \$ - |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | - | - | - |
| Other | - | - | - | - |
| Total liabilities | - | - | 1,151 | - |
| | | | | |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | - | - | - | - |
| Unreserved | 25,986 | 68,235 | 55,569 | 27,003 |
| Total fund equity | <u>25,986</u> | <u>68,235</u> | <u>55,569</u> | <u>27,003</u> |
| | | | | |
| Total liabilities and fund equity | \$ <u>25,986</u> | \$ <u>68,235</u> | \$ <u>56,720</u> | \$ <u>27,003</u> |

See accompanying independent auditor's report.

| <u>Construction Donation</u> | <u>Landfill Equipment</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------|-----------------------------|-------------------|
| \$ 2,199 | \$ 15,826 | \$ 4,759 | \$ 1,443 | \$ 200,898 |
| - | - | 703 | - | 703 |
| - | - | 98,000 | - | 98,000 |
| - | - | - | - | 308 |
| - | - | 1,164 | - | 1,490 |
| - | - | - | - | 639 |
| <u>\$ 2,199</u> | <u>\$ 15,826</u> | <u>\$ 104,626</u> | <u>\$ 1,443</u> | <u>\$ 302,038</u> |
| \$ - | \$ - | \$ - | \$ - | 1,151 |
| - | - | 98,000 | - | 98,000 |
| - | - | 703 | - | 703 |
| - | - | 98,703 | - | 99,854 |
| - | - | 5,923 | - | 5,923 |
| 2,199 | 15,826 | - | 1,443 | 196,261 |
| <u>2,199</u> | <u>15,826</u> | <u>5,923</u> | <u>1,443</u> | <u>202,184</u> |
| <u>\$ 2,199</u> | <u>\$ 15,826</u> | <u>\$ 104,626</u> | <u>\$ 1,443</u> | <u>\$ 302,038</u> |

LUCAS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

| | Special Revenue | | | |
|---|--------------------------------------|--|-------------------------------------|-------------------------------|
| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Resource Enhancement and Protection | Conservation Land Acquisition |
| Revenues: | | | | |
| Property and other County tax | \$ - | \$ - | \$ - | - |
| Intergovernmental | - | - | 12,114 | - |
| Charges for service | 2,173 | - | - | - |
| Use of money and property | 408 | 4 | 3,289 | 14,887 |
| Miscellaneous | - | - | 3,818 | 10,594 |
| Total revenues | <u>2,581</u> | <u>4</u> | <u>19,221</u> | <u>25,481</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | - |
| County environment and education | - | - | 1,691 | - |
| Government services to residents | 1,425 | 494 | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | 8,802 | 17,652 |
| Total expenditures | <u>1,425</u> | <u>494</u> | <u>10,493</u> | <u>17,652</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,156 | (490) | 8,728 | 7,829 |
| Other financing sources: | | | | |
| General obligation notes issued | - | - | - | - |
| Net change in fund balances | 1,156 | (490) | 8,728 | 7,829 |
| Fund balances beginning of year | <u>24,830</u> | <u>490</u> | <u>59,507</u> | <u>47,740</u> |
| Fund balances end of year | <u>\$ 25,986</u> | <u>\$ -</u> | <u>\$ 68,235</u> | <u>\$ 55,569</u> |

See accompanying independent auditor's report.

| <u>Prisoner Reimbursement</u> | <u>Construction Donation</u> | <u>Landfill Equipment</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|-----------------------------------|----------------------------------|-------------------------------|-------------------------|-----------------------------|-------------------|
| \$ - | \$ - | \$ - | 98,891 | \$ - | 98,891 |
| - | - | - | 7,069 | - | 19,183 |
| 13,942 | - | - | - | - | 16,115 |
| - | - | 2,699 | 1,164 | - | 22,451 |
| - | - | - | - | - | 14,412 |
| <u>13,942</u> | <u>-</u> | <u>2,699</u> | <u>107,124</u> | <u>-</u> | <u>171,052</u> |
| 854 | - | - | - | - | 854 |
| - | - | - | - | - | 1,691 |
| - | - | - | - | - | 1,919 |
| - | - | - | 112,440 | - | 112,440 |
| - | - | - | - | 58,059 | 84,513 |
| <u>854</u> | <u>-</u> | <u>-</u> | <u>112,440</u> | <u>58,059</u> | <u>201,417</u> |
| 13,088 | - | 2,699 | (5,316) | (58,059) | (30,365) |
| - | - | - | - | 50,000 | 50,000 |
| <u>13,088</u> | <u>-</u> | <u>2,699</u> | <u>(5,316)</u> | <u>(8,059)</u> | <u>19,635</u> |
| <u>13,915</u> | <u>2,199</u> | <u>13,127</u> | <u>11,239</u> | <u>9,502</u> | <u>182,549</u> |
| <u>\$ 27,003</u> | <u>\$ 2,199</u> | <u>\$ 15,826</u> | <u>\$ 5,923</u> | <u>\$ 1,443</u> | <u>\$ 202,184</u> |

LUCAS COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

| | County Offices | | | Agricultural |
|-------------------------------|--------------------|-------------------|------------------|------------------------|
| | County Recorder | County Sheriff | Public Health | Extension Education |
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | \$ - | \$ - | 1,078 |
| Other County officials | 5,546 | 21,937 | 17,943 | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | 330 |
| Succeeding year | - | - | - | 46,000 |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Due from other governments | - | - | - | - |
| | | | | |
| Total assets | \$ <u>5,546</u> | \$ <u>21,937</u> | \$ <u>17,943</u> | \$ <u>47,408</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 5,504 | \$ - | \$ - | - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | 42 | - | - | 47,408 |
| Trusts payable | - | 21,937 | 17,943 | - |
| Compensated absences | - | - | - | - |
| | | | | |
| Total liabilities | \$ <u>5,546</u> | \$ <u>21,937</u> | \$ <u>17,943</u> | \$ <u>47,408</u> |

| <u>County Assessor</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Corporations</u> | <u>Townships</u> | <u>County Hospital</u> | <u>Brucellosis and Tuberculosis Eradication</u> |
|------------------------|---------------------|---------------------------|---------------------|-------------------|------------------------|---|
| \$ 60,447 | \$ 84,118 | \$ 4,863 | \$ 35,483 | \$ 3,700 | \$ 13,846 | \$ 46 |
| - | - | - | - | - | - | - |
| 1,024 | 22,855 | 1,213 | 19,552 | 477 | 4,237 | 7 |
| 151,000 | 3,284,000 | 185,000 | 1,459,000 | 141,000 | 597,000 | 1,000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 212,471</u> | <u>\$ 3,390,973</u> | <u>\$ 191,076</u> | <u>\$ 1,514,035</u> | <u>\$ 145,177</u> | <u>\$ 615,083</u> | <u>\$ 1,053</u> |
| \$ 201 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 231 | - | - | - | - | - | - |
| 193,633 | 3,390,973 | 191,076 | 1,514,035 | 145,177 | 615,083 | 1,053 |
| - | - | - | - | - | - | - |
| 18,406 | - | - | - | - | - | - |
| <u>\$ 212,471</u> | <u>\$ 3,390,973</u> | <u>\$ 191,076</u> | <u>\$ 1,514,035</u> | <u>\$ 145,177</u> | <u>\$ 615,083</u> | <u>\$ 1,053</u> |

LUCAS COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

| | <u>Auto License and Use Tax</u> | <u>Anatomical Gift, Public Awareness and Transportation</u> | <u>E-911</u> | <u>Emergency Management</u> |
|-------------------------------|---|---|-------------------|---------------------------------|
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 144,478 | \$ 4 | \$ 126,075 | \$ 1,265 |
| Other County officials | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Accounts | - | - | 17,454 | - |
| Accrued interest | - | - | 174 | - |
| Due from other governments | - | - | 4,066 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 144,478</u> | <u>\$ 4</u> | <u>\$ 147,769</u> | <u>\$ 1,265</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,016 | \$ - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | 144,478 | 4 | 146,753 | 1,265 |
| Trusts payable | - | - | - | - |
| Compensated absences | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>\$ 144,478</u> | <u>\$ 4</u> | <u>\$ 147,769</u> | <u>\$ 1,265</u> |

See accompanying independent auditor's report.

| <u>Special Assessments</u> | <u>Advance Tax</u> | <u>Tax Sale Redemption</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Total</u> |
|----------------------------|--------------------|----------------------------|---|---------------------|
| \$ 168 | \$ 6,115 | \$ 2,394 | \$ 182 | \$ 484,262 |
| - | - | - | - | 45,426 |
| - | - | - | - | 49,695 |
| - | - | - | - | 5,864,000 |
| - | - | - | 158 | 17,612 |
| - | - | - | 9 | 183 |
| - | - | - | - | 4,066 |
| <u>\$ 168</u> | <u>\$ 6,115</u> | <u>\$ 2,394</u> | <u>\$ 349</u> | <u>\$ 6,465,244</u> |
| \$ - | \$ - | \$ - | \$ - | 6,721 |
| - | - | - | - | 231 |
| 168 | - | - | 349 | 6,391,497 |
| - | 6,115 | 2,394 | - | 48,389 |
| - | - | - | - | 18,406 |
| <u>\$ 168</u> | <u>\$ 6,115</u> | <u>\$ 2,394</u> | <u>\$ 349</u> | <u>\$ 6,465,244</u> |

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

| | County Offices | | | Agricultural Extension Education |
|---|--------------------|-------------------|------------------|--|
| | County Recorder | County Sheriff | Public Health | |
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ - | \$ 15,779 | \$ 17,900 | \$ 48,338 |
| Additions: | | | | |
| Property and other County tax | - | - | - | 45,025 |
| E-911 surcharge | - | - | - | - |
| State tax credits | - | - | - | 3,313 |
| Payments in lieu of taxes | - | - | - | - |
| Office fees and collections | 159,997 | 54,584 | - | - |
| Auto license, use tax, drivers license and postage | - | - | - | - |
| Trusts | - | 349,275 | 10,466 | - |
| Assessments | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total additions | 159,997 | 403,859 | 10,466 | 48,338 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 68,007 | 54,584 | - | - |
| To other governments | 86,444 | 362 | - | 49,268 |
| Trusts paid out | - | 342,755 | 10,423 | - |
| Total deductions | 154,451 | 397,701 | 10,423 | 49,268 |
| Balances end of year | \$ 5,546 | \$ 21,937 | \$ 17,943 | \$ 47,408 |

| <u>County Assessor</u> | <u>Schools</u> | <u>Community Colleges</u> | <u>Corporations</u> | <u>Townships</u> | <u>County Hospital</u> | <u>Brucellosis and Tuberculosis Eradication</u> |
|--------------------------|----------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---|
| \$ 207,954 | \$ 3,394,849 | \$ 177,850 | \$ 1,477,259 | \$ 135,791 | \$ 614,149 | \$ 1,051 |
| 149,852 | 3,249,121 | 271,010 | 1,364,861 | 139,849 | 590,944 | 910 |
| - | - | - | - | - | - | - |
| 10,278 | 238,906 | 13,359 | 104,045 | 9,533 | 42,536 | 65 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,089 | - | - | - | - | - | - |
| <u>161,219</u> | <u>3,488,027</u> | <u>284,369</u> | <u>1,468,906</u> | <u>149,382</u> | <u>633,480</u> | <u>975</u> |
| - | - | - | - | - | - | - |
| 156,702 | 3,491,903 | 271,143 | 1,432,130 | 139,996 | 632,546 | 973 |
| - | - | - | - | - | - | - |
| <u>156,702</u> | <u>3,491,903</u> | <u>271,143</u> | <u>1,432,130</u> | <u>139,996</u> | <u>632,546</u> | <u>973</u> |
| \$ <u><u>212,471</u></u> | \$ <u><u>3,390,973</u></u> | \$ <u><u>191,076</u></u> | \$ <u><u>1,514,035</u></u> | \$ <u><u>145,177</u></u> | \$ <u><u>615,083</u></u> | \$ <u><u>1,053</u></u> |

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

| | <u>Auto License and Use Tax</u> | <u>Anatomical Gift, Public Awareness and Transportation</u> | <u>E-911</u> | <u>Emergency Management</u> |
|---|---|---|-------------------|---------------------------------|
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ 147,075 | \$ 19 | \$ 87,343 | \$ 1,265 |
| Additions: | | | | |
| Property and other County tax | - | - | - | - |
| E-911 surcharge | - | - | 99,542 | - |
| State tax credits | - | - | - | - |
| Payments in lieu of taxes | - | - | - | - |
| Office fees and collections | - | - | - | - |
| Auto license, use tax, drivers license and postage | 1,859,916 | - | - | - |
| Trusts | - | - | - | - |
| Assessments | - | - | - | - |
| Miscellaneous | - | 87 | 2,846 | - |
| Total additions | <u>1,859,916</u> | <u>87</u> | <u>102,388</u> | <u>-</u> |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 89,411 | - | - | - |
| To other governments | 1,773,102 | 102 | 41,962 | - |
| Trusts paid out | - | - | - | - |
| Total deductions | <u>1,862,513</u> | <u>102</u> | <u>41,962</u> | <u>-</u> |
| Balances end of year | <u>\$ 144,478</u> | <u>\$ 4</u> | <u>\$ 147,769</u> | <u>\$ 1,265</u> |

See accompanying independent auditor's report.

| <u>Special Assessments</u> | <u>Advance Tax</u> | <u>Tax Sale Redemption</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Federal Owned Lands</u> | <u>ADLM Counties Environmental Public Health Agency</u> | <u>Total</u> |
|----------------------------|--------------------|----------------------------|---|----------------------------|---|---------------------|
| \$ 3 | \$ 5,297 | \$ - | \$ 386 | \$ 6,636 | \$ 9,246 | \$ 6,348,190 |
| - | - | - | - | - | - | 5,811,572 |
| - | - | - | - | - | - | 99,542 |
| - | - | - | - | - | - | 422,035 |
| - | - | - | - | 6,603 | - | 6,603 |
| - | - | - | 2,173 | - | - | 216,754 |
| - | - | - | - | - | - | 1,859,916 |
| - | 10,277 | 132,579 | - | - | - | 502,597 |
| 21,001 | - | - | - | - | - | 21,001 |
| - | - | - | 9 | - | 184,114 | 188,145 |
| <u>21,001</u> | <u>10,277</u> | <u>132,579</u> | <u>2,182</u> | <u>6,603</u> | <u>184,114</u> | <u>9,128,165</u> |
| - | - | - | - | 13,239 | - | 225,241 |
| 20,836 | - | - | 2,219 | - | 193,360 | 8,293,048 |
| - | 9,459 | 130,185 | - | - | - | 492,822 |
| <u>20,836</u> | <u>9,459</u> | <u>130,185</u> | <u>2,219</u> | <u>13,239</u> | <u>193,360</u> | <u>9,011,111</u> |
| <u>\$ 168</u> | <u>\$ 6,115</u> | <u>\$ 2,394</u> | <u>\$ 349</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,465,244</u> |

LUCAS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|---------------------|---------------------|---------------------|
| | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | |
| Property and other County tax | \$ 2,595,200 | \$ 2,570,552 | \$ 2,237,851 | \$ 2,366,415 |
| Interest and penalty on property tax | 30,623 | 32,950 | 29,974 | 29,919 |
| Intergovernmental | 2,705,620 | 3,013,759 | 2,825,372 | 2,530,468 |
| Licenses and permits | 330 | 570 | 530 | 545 |
| Charges for service | 243,732 | 243,642 | 241,211 | 321,157 |
| Use of money and property | 174,241 | 148,062 | 87,911 | 75,948 |
| Miscellaneous | 211,031 | 292,174 | 178,076 | 215,259 |
| Total | \$ 5,960,777 | \$ 6,301,709 | \$ 5,600,925 | \$ 5,539,711 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 799,077 | \$ 899,540 | \$ 850,361 | \$ 774,397 |
| Physical health and social services | 485,966 | 468,710 | 475,374 | 479,713 |
| Mental health | 953,109 | 797,690 | 716,400 | 765,304 |
| County environment and education | 172,466 | 191,722 | 205,009 | 162,308 |
| Roads and transportation | 2,314,629 | 2,640,561 | 2,243,217 | 2,097,929 |
| Government services to residents | 225,430 | 296,268 | 207,029 | 160,878 |
| Administration | 770,593 | 716,880 | 703,562 | 768,729 |
| Non-program | 173,148 | - | - | - |
| Debt service | 112,440 | 61,363 | 46,133 | 48,760 |
| Capital projects | 231,211 | 945,452 | 597,525 | 395,915 |
| Total | \$ 6,238,069 | \$ 7,018,186 | \$ 6,044,610 | \$ 5,653,933 |

See accompanying independent auditor's report.

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 Officials of Lucas County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 our audit, we considered Lucas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lucas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lucas County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lucas County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Lucas County's financial statements that is more than inconsequential will not be prevented or detected by Lucas County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lucas County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucas County's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our 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.

Lucas County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Lucas County's responses and, accordingly, we 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 Lucas County and other parties to whom Lucas County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa
February 22, 2008

LUCAS COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | <u>Applicable Offices</u> |
|--|--|
| (1) Incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. | Ag Extension, Recorder, Sheriff |
| (2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts. | Ag Extension, Recorder, Sheriff, Treasurer |
| (3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements. | Recorder, Sheriff |

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

County Ag Extension – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

County Recorder – With only two people in the office at times, it’s difficult to share obligations. I’ll continue to strive towards that direction.

County Sheriff – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-A-07 Segregation of Duties (continued)

Responses (continued)

County Treasurer – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

Conclusion – Responses accepted.

I-B-07 Disbursements – Out of forty disbursements tested, two were not supported by an invoice or receipt at the time of payment. One was paid pursuant to an oral agreement and one was for a contracted monthly fee but the County has no written contract.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the warrant being released for payment.

Response – We will make sure that all future disbursements are properly supported by an invoice or receipt and we will prepare written contracts as required.

Conclusion – Response accepted.

I-C-07 Payroll Records – Out of eleven employees tested for payroll, timesheets for one hourly employee were not provided to the County Auditor or signed as evidence of accuracy. The totals hours worked were just called in.

Recommendation – Timesheets for all employees should be signed and provided to the County Auditor.

Response – We will make sure all hourly employees properly turn in a signed timesheet.

Conclusion – Response accepted.

I-D-07 Authorized Signatures – The bank confirmation for one bank indicated a former employee who is still listed as an authorized check signer on one of the Treasurer's bank accounts.

Recommendation – The Treasurer's office should update the authorized signatures for this account as soon as possible. All signature authorizations should be updated immediately whenever a change in applicable employees occurs.

Response – We will properly maintain and update all signature authorizations in the future.

Conclusion – Response accepted.

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-E-07 Financial Reporting – During the audit, we identified material differences in depreciation expense for capital assets. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure the proper calculation of capital asset depreciation.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

LUCAS COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the debt service function at year end and exceeded the amounts budgeted in the non-program and debt service functions prior to the amendment of the County budget. In addition, disbursements in one department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-07 Business Transactions – The following business transactions between the County and County officials or employees were noted:

| <u>Name, Title and Business Connection</u> | <u>Description</u> | <u>Amount</u> |
|--|--------------------|---------------|
| Delbert Longley, County Sheriff Owner of Longley Trophy | Display plate | \$ 12 |
| Cathy Reece, Supervisor Owner of Reece Enterprises | Automotive parts | 4,343 |

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with the County Sheriff do not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year. However, the transactions with the County Supervisor appear to represent a conflict of interest since they exceed the \$1,500 limit allowed by Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We will consult the County Attorney about this.

Conclusion – Response accepted.

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

We noted that the minutes of nine meetings of the Extension Council were not properly signed as required by Chapter 176A.14(3) of the Code of Iowa. In addition, we noted that the year end deposits-in-transit were not deposited until sixteen days after year end.

Recommendation – All Extension Council minutes should be properly signed. All receipts should be deposited as soon as possible to safeguard the asset. Deposits should be made weekly at a minimum.

Response – We will make sure that all minutes are properly signed and that all receipts are deposited timely.

Conclusion – Response accepted.

- II-J-07 Vacation Hours – We noted that the unused vacation hours for some employees exceeded the maximum allowed carryover as stated in the County policy.

Recommendations – The County should enforce the vacation policy. Any unused vacation over the maximum allowed carryover would be forfeited.

Response – We will look into this situation.

Conclusion – Response accepted.

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-K-07 Mobile Home Tax – We noted that the County did not roll the tax year forward on the mobile home tax calculations. This resulted in one mobile home that was taxed at the wrong levy rate and was overcharged \$26.

Recommendation – The County should make sure that the tax year is properly rolled forward and that the mobile home taxes are being properly calculated. The County should either contact the taxpayer for a refund or adjust the taxes for the next year.

Response – We will make sure that the mobile home taxes are properly calculated in the future. We will also correct the \$26 overcharged tax.

Conclusion – Response accepted.