

CLARKE COUNTY

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

JUNE 30, 2008

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mryon Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2009
Donald Reasoner	Board of Supervisors	Jan. 2009
Judy Church	County Auditor	Jan. 2009
Kim Reynolds	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2009
Ronald L. Wheeler	County Attorney	Jan. 2011
Walt Paschell	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clarke 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 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 Clarke County as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, 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 March 17, 2009 on our consideration of Clarke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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.

Budgetary comparison information on pages 46 through 48 is not a required part of the basic financial statements, but is 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.

The County has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke 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 three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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  
March 17, 2009

## Basic Financial Statements

CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,879,110
Receivables:	
Property tax:	
Delinquent	34,732
Succeeding year	3,157,000
Interest and penalty on property tax	194,502
Accounts	29,278
Accrued interest	3,052
Contract receivable (note 4)	10,000
Due from other governments	257,225
Inventories	153,634
Prepaid expenses	98,006
Capital assets, net of accumulated depreciation (note 5)	<u>13,676,400</u>
 Total assets	 <u>20,492,939</u>
Liabilities	
Accounts payable	251,436
Salaries and benefits payable	72,906
Due to other governments (note 6)	282,522
Accrued interest payable	30,025
Deferred revenue:	
Succeeding year property tax	3,157,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital loan notes	130,000
Real estate purchase agreement	22,501
Child care center revenue notes	6,215
Promissory note	18,839
Capital lease purchase agreement	37,755
Compensated absences	143,988
Portion due or payable after one year:	
Capital loan notes	910,000
Real estate purchase agreement	20,021
Child care center revenue notes	526,781
Promissory note	61,942
Capital lease purchase agreement	<u>258,745</u>
 Total liabilities	 <u>5,930,676</u>

CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 12,322,383
Restricted for:	
Supplemental levy purposes	357,213
Rural services	233,807
Secondary roads	551,845
Debt service	10,279
Other special revenue purposes	646,880
Inmate room and board	44,999
Unrestricted	<u>394,857</u>
Total net assets	<u>\$ 14,562,263</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,623,755	\$ 362,577	\$ 32,464	\$ -	\$ (1,228,714)
Physical health and social services	1,056,366	107,297	311,654	-	(637,415)
Mental health	1,140,658	-	639,736	-	(500,922)
County environment and education	229,397	15,721	27,893	42,000	(143,783)
Roads and transportation	3,405,047	216,498	2,045,584	943,600	(199,365)
Government services to residents	335,902	194,086	-	-	(141,816)
Administration	810,264	21,838	480	-	(787,946)
Interest on long-term debt	80,409	-	62,844	-	(17,565)
<b>Total</b>	<b>\$ 8,681,798</b>	<b>\$ 918,017</b>	<b>\$ 3,120,655</b>	<b>\$ 985,600</b>	<b>(3,657,526)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,911,640
Debt service					150,017
Penalty and interest on property tax					63,315
State tax credits					148,188
Local option sales and services tax					221,468
Gaming tax					276,233
Unrestricted investment earnings					138,797
<b>Total general revenues</b>					<b>3,909,658</b>
Change in net assets					252,132
Net assets beginning of year, as restated (note 13)					14,310,131
Net assets end of year					<b>\$ 14,562,263</b>

See notes to financial statements.

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CLARKE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 574,230	\$ 220,559	\$ 252,031	\$ 324,979
Receivables:				
Property tax:				
Delinquent	21,781	4,796	6,527	-
Succeeding year	1,952,000	410,000	691,000	-
Interest and penalty on property tax	194,502	-	-	-
Accounts	26,686	-	-	315
Accrued interest	2,629	-	-	-
Contract receivable (note 4)	-	-	-	10,000
Due from other governments	63,379	-	-	193,846
Inventories	-	-	-	153,634
Prepaid expenses	70,768	-	-	27,238
<b>Total assets</b>	<b>\$ 2,905,975</b>	<b>\$ 635,355</b>	<b>\$ 949,558</b>	<b>\$ 710,012</b>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,275,971	\$ 2,647,770
1,628	34,732
104,000	3,157,000
-	194,502
166	27,167
193	2,822
-	10,000
-	257,225
-	153,634
-	98,006
<u>\$ 1,381,958</u>	<u>\$ 6,582,858</u>

CLARKE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 56,243	\$ 24,297	\$ 368	\$ 74,454
Salaries and benefits payable	40,704	527	5,267	26,408
Due to other governments (note 6)	-	282,522	-	-
Deferred revenue:				
Succeeding year property tax	1,952,000	410,000	691,000	-
Other	216,283	4,796	6,527	10,000
Total liabilities	<u>2,265,230</u>	<u>722,142</u>	<u>703,162</u>	<u>110,862</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	153,634
Prepaid expenses	70,768	-	-	27,238
Supplemental levy purposes	311,959	-	11,014	-
Debt service	-	-	-	-
Inmate room and board	44,999	-	-	-
Unreserved, reported in:				
General fund	213,019	-	-	-
Special revenue funds	-	(86,787)	235,382	418,278
Capital projects fund	-	-	-	-
Total fund balances	<u>640,745</u>	<u>(86,787)</u>	<u>246,396</u>	<u>599,150</u>
Total liabilities and fund balances	<u>\$ 2,905,975</u>	<u>\$ 635,355</u>	<u>\$ 949,558</u>	<u>\$ 710,012</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 33,886	\$ 189,248
-	72,906
-	282,522
104,000	3,157,000
1,628	239,234
<u>139,514</u>	<u>3,940,910</u>
-	153,634
-	98,006
-	322,973
36,649	36,649
-	44,999
-	213,019
647,013	1,213,886
558,782	558,782
<u>1,242,444</u>	<u>2,641,948</u>
<u>\$ 1,381,958</u>	<u>\$ 6,582,858</u>

## CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total fund balances of governmental funds	\$ 2,641,948
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 \$20,837,457 and the accumulated depreciation is \$7,161,057.	13,676,400
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	239,234
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	171,493
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.	(30,025)
Long-term liabilities, including notes payable, purchase agreements 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>(2,136,787)</u>
Net assets of governmental activities	<u>\$ 14,562,263</u>
See notes to financial statements.	

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CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
<b>Revenues:</b>				
Property and other County tax	\$ 2,140,538	\$ 410,477	\$ 638,605	\$ -
Interest and penalty on property tax	40,112	-	-	-
Intergovernmental	768,781	659,031	34,511	2,254,849
Licenses and permits	3,750	-	5,815	1,085
Charges for service	257,615	-	700	325
Use of money and property	132,931	-	-	-
Miscellaneous	83,969	-	1,210	225,087
Total revenues	<u>3,427,696</u>	<u>1,069,508</u>	<u>680,841</u>	<u>2,481,346</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,239,857	-	197,989	-
Physical health and social services	1,005,010	-	-	-
Mental health	-	1,140,658	-	-
County environment and education	180,355	-	81,539	-
Roads and transportation	-	-	-	2,967,938
Government services to residents	334,031	-	-	-
Administration	762,990	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	370,300
Total expenditures	<u>3,522,243</u>	<u>1,140,658</u>	<u>279,528</u>	<u>3,338,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,547)</u>	<u>(71,150)</u>	<u>401,313</u>	<u>(856,892)</u>
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	93,852	-	-	505,000
Interfund transfers out (note 3)	(176,563)	-	(455,000)	-
Execution of capital lease purchase agreement	-	-	-	296,500
Capital loan notes issued	-	-	-	-
Total other financing sources (uses)	<u>(82,711)</u>	<u>-</u>	<u>(455,000)</u>	<u>801,500</u>

Local Option Sales and Services Tax Revenue Bond and Interest Sinking	Nonmajor Governmental Funds	Total
\$ -	\$ 370,937	\$ 3,560,557
-	-	40,112
-	81,035	3,798,207
-	-	10,650
-	2,265	260,905
-	10,622	143,553
-	58,805	369,071
-	523,664	8,183,055
-	3,039	1,440,885
-	-	1,005,010
-	-	1,140,658
-	-	261,894
-	-	2,967,938
-	-	334,031
-	-	762,990
2,736,836	267,401	3,004,237
-	567,934	938,234
2,736,836	838,374	11,855,877
(2,736,836)	(314,710)	(3,672,822)
2,598,206	126,563	3,323,621
-	(2,692,058)	(3,323,621)
-	-	296,500
-	975,000	975,000
2,598,206	(1,590,495)	1,271,500

CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ (177,258)	\$ (71,150)	\$ (53,687)	\$ (55,392)
Fund balances beginning of year	<u>818,003</u>	<u>(15,637)</u>	<u>300,083</u>	<u>654,542</u>
Fund balances end of year	<u>\$ 640,745</u>	<u>\$ (86,787)</u>	<u>\$ 246,396</u>	<u>\$ 599,150</u>

See notes to financial statements.

<u>Local Option Sales and Services Tax Revenue Bond and Interest Sinking</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ (138,630)	\$ (1,905,205)	\$ (2,401,322)
<u>138,630</u>	<u>3,147,649</u>	<u>5,043,270</u>
<u>\$ -</u>	<u>\$ 1,242,444</u>	<u>\$ 2,641,948</u>

## CLARKE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (2,401,322)

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:

	Expenditures for capital assets	\$ 905,272	
Capital assets contributed by the Iowa Department of Transportation		734,335	
	Depreciation expense	<u>(648,578)</u>	991,029

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	(1,199)	
	Other	<u>13,203</u>	12,004

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. (1,271,500)

Repayments of bond, note, and purchase agreement principal are expenditures  
in the governmental funds, but the repayments reduce long-term liabilities in  
the Statement of Net Assets. 2,881,489

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	(16,288)	
	Interest on long-term debt	<u>60,325</u>	44,037

The Internal Service Funds are used by management to charge the costs of  
the County's health insurance and flexible benefits plans to individual  
funds. The change in net assets of the Internal Service Funds are reported  
with governmental activities. (3,605)

Change in net assets of governmental activities \$ 252,132

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2008

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 231,340
Receivables:	
Accounts	2,111
Accrued interest	<u>230</u>
Total assets	<u>233,681</u>
Liabilities	
Accounts payable	<u>62,188</u>
Net Assets	
Unrestricted	<u><u>\$ 171,493</u></u>

See notes to financial statements.

## CLARKE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 632,840
Charges to employees and others	<u>159,738</u>
Total operating revenues	<u>792,578</u>
Operating expenses:	
Insurance premiums	761,858
Medical claims	9,433
Flexible spending claims	27,568
Administrative fees	<u>1,860</u>
Total operating expenses	<u>800,719</u>
Operating loss	(8,141)
Non-operating revenues:	
Interest on investments	<u>4,536</u>
Net loss	(3,605)
Net assets beginning of year	<u>175,098</u>
Net assets end of year	<u>\$ 171,493</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 632,840
Cash received from employees and others	157,627
Cash payments to suppliers for services	<u>(738,531)</u>
Net cash provided by operating activities	<u>51,936</u>
Cash flows from investing activities:	
Interest on investments	<u>4,306</u>
Net increase in cash and cash equivalents	56,242
Cash and cash equivalents at beginning of year	<u>175,098</u>
Cash and cash equivalents at end of year	<u>\$ 231,340</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (8,141)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) in accounts receivable	(2,111)
Increase in accounts payable	<u>62,188</u>
Net cash provided by operating activities	<u>\$ 51,936</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2008

Assets

Cash and pooled investments:		
County Treasurer	\$	360,793
Other County officials		28,497
Receivables:		
Property tax:		
Delinquent		122,171
Succeeding year		9,285,000
Accounts		166
Due from other governments		110,667
Prepaid expenses		<u>3,868</u>
 Total assets	 \$	 <u><u>9,911,162</u></u>

Liabilities

Accounts payable	\$	22,659
Salaries and benefits payable		11,472
Due to other governments (note 6)		9,741,205
Trusts payable		121,862
Compensated absences		<u>13,964</u>
 Total liabilities	 \$	 <u><u>9,911,162</u></u>

See notes to financial statements.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies

Clarke 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, Clarke 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. Clarke 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: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. 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.

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.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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, proprietary, 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 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.

The Local Option Sales and Services Tax Revenue Bond and Interest Sinking Fund is used to account for the payment of principal and interest on the County's local option sales and services tax revenue bonds.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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, proprietary fund 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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 tax 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 County), 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	\$ 250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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.

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

Long-term Liabilities – In the government-wide financial statements and the proprietary fund 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, proprietary fund 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,845,023.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function prior to the amendment of the County budget and exceeded the amount budgeted in the roads and transportation function at year end. In addition, disbursements in one department exceeded the amount appropriated prior to the amendment of the appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$759,780 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 50,000
	Special Revenue: Rural Services	455,000
Local Option Sales and Services Tax Revenue Bond and Interest Sinking	Local Option Sales and Services Tax Revenue	2,230,206
	Local Option Sales and Services Tax Reserve	368,000
Debt Service: Courthouse Projects	General	12,711
Capital Projects	General	113,852
General	Capital Projects	<u>93,852</u>
		<u>\$ 3,323,621</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, 2008, the County has a long-term interest-free contract receivable from the City of Osceola for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Osceola</u>
2009	\$ <u>10,000</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year, as restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,654	\$ -	\$ -	\$ 571,654
Construction in progress	24,894	456,702	448,006	33,590
Total capital assets not being depreciated	<u>596,548</u>	<u>456,702</u>	<u>448,006</u>	<u>605,244</u>
Capital assets being depreciated:				
Buildings	6,137,340	448,006	-	6,585,346
Machinery and equipment	3,263,337	448,570	230,471	3,481,436
Infrastructure	9,431,096	734,335	-	10,165,431
Total capital assets being depreciated	<u>18,831,773</u>	<u>1,630,911</u>	<u>230,471</u>	<u>20,232,213</u>
Less accumulated depreciation for:				
Buildings	1,412,956	151,462	-	1,564,418
Machinery and equipment	2,407,244	158,268	230,471	2,335,041
Infrastructure	2,922,750	338,848	-	3,261,598
Total accumulated depreciation	<u>6,742,950</u>	<u>648,578</u>	<u>230,471</u>	<u>7,161,057</u>
Total capital assets being depreciated, net	<u>12,088,823</u>	<u>982,333</u>	<u>-</u>	<u>13,071,156</u>
Governmental activities capital assets, net	<u>\$ 12,685,371</u>	<u>\$ 1,439,035</u>	<u>\$ 448,006</u>	<u>\$ 13,676,400</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 116,877
Physical health and social services	40,615
County environment and education	11,630
Roads and transportation	434,002
Government services to residents	912
Administration	<u>44,542</u>

Total depreciation expense - governmental activities	<u><u>\$ 648,578</u></u>
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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>
Special Revenue:		
Mental Health	Services	\$ <u><u>282,522</u></u>
Agency:		
County Assessor	Collections	\$ 238,075
Schools		4,252,635
Area Schools		199,005
Corporations		3,505,728
County Hospital		1,163,322
Auto License and Use Tax		141,790
All Other		<u>240,650</u>
Total for agency funds		<u><u>\$ 9,741,205</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 238,750	\$ 975,000	\$ 173,750	\$ 1,040,000	\$ 130,000
Real Estate Purchase Agreement	63,402	-	20,880	42,522	22,501
Local Option Sales and Services					
Tax Revenue Bonds	2,662,940	-	2,662,940	-	-
Child Care Center Revenue Notes	538,929	-	5,933	532,996	6,215
Promissory Note	98,767	-	17,986	80,781	18,839
Capital Lease Purchase Agreement	-	296,500	-	296,500	37,755
Compensated Absences	127,700	143,988	127,700	143,988	143,988
	<hr/>				
Total	<u>\$ 3,730,488</u>	<u>\$ 1,415,488</u>	<u>\$ 3,009,189</u>	<u>\$ 2,136,787</u>	<u>\$ 359,298</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes Payable

A summary of the County's general obligation capital loan note indebtedness at June 30, 2008 is as follows:

Year Ending June 30,	Series Dated September 1, 1994			Series Dated July 15, 1999		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	6.00 %	\$ 40,000	\$ 4,840	4.625 %	\$ 40,000	\$ 1,850
2010	6.10	40,000	2,400	-	-	-
		<u>\$ 80,000</u>	<u>\$ 7,240</u>		<u>\$ 40,000</u>	<u>\$ 1,850</u>
Year Ending June 30,	Series Dated October 15, 2007			Series Dated June 15, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	4.75 %	\$ 50,000	\$ 15,450	- %	\$ -	\$ 19,145
2010	4.75	55,000	13,075	3.00	75,000	19,920
2011	4.75	55,000	10,462	3.20	80,000	17,670
2012	4.75	60,000	7,850	3.40	80,000	15,110
2013	4.00	60,000	5,000	3.50	90,000	12,390
2014	4.00	65,000	2,600	3.60	90,000	9,240
2015	-	-	-	3.75	160,000	6,000
		<u>\$ 345,000</u>	<u>\$ 54,437</u>		<u>\$ 575,000</u>	<u>\$ 99,475</u>
Year Ending June 30,	Total					
	Principal	Interest				
2009	\$ 130,000	\$ 41,285				
2010	170,000	35,395				
2011	135,000	28,132				
2012	140,000	22,960				
2013	150,000	17,390				
2014	155,000	11,840				
2015	160,000	6,000				
	<u>\$ 1,040,000</u>	<u>\$ 163,002</u>				

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Real Estate Purchase Agreement

During the year ended June 30, 2000, the County entered into an agreement to purchase 6.2 acres of land, at a cost of \$175,000, for a new jail site. The contract is payable in 120 monthly installments of \$2,077 commencing April 4, 2000, including interest at an effective annual rate of 7.763%.

A summary of the County's June 30, 2008, real estate contract purchase agreement indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 22,501	\$ 2,426	\$ 24,927
2010	20,021	680	20,701
	<u>\$ 42,522</u>	<u>\$ 3,106</u>	<u>\$ 45,628</u>

Child Care Center Revenue Notes

Details of the County's June 30, 2008 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.75 %	\$ 6,215	\$ 25,317	\$ 31,532
2010	4.75	6,510	25,022	31,532
2011	4.75	6,819	24,713	31,532
2012	4.75	7,143	24,389	31,532
2013	4.75	7,482	24,050	31,532
2014-2018	4.75	43,092	114,568	157,660
2019-2023	4.75	54,347	103,313	157,660
2024-2028	4.75	68,539	89,121	157,660
2029-2033	4.75	86,439	71,221	157,660
2034-2038	4.75	109,014	48,646	157,660
2039-2024	4.75	137,396	20,182	157,578
		<u>\$ 532,996</u>	<u>\$ 570,542</u>	<u>\$ 1,103,538</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

Promissory Note

During the year ended June 30, 2007, the County borrowed \$98,767 on a bank promissory note. The note is payable in five annual payments including interest at 4.8%. The proceeds were used to purchase a dump truck.

A summary of the County's promissory note indebtedness at June 30, 2008 is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 18,839	\$ 3,875	\$ 22,714
2010	19,744	2,970	22,714
2011	20,691	2,023	22,714
2012	21,507	1,029	22,536
	\$ 80,781	\$ 9,897	\$ 90,678

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

During the year ended June 30, 2008, the county entered into a capital lease purchase agreement for \$296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

A summary of the County's capital lease purchase agreement indebtedness at June 30, 2008 is as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 37,755	\$ 11,300	\$ 49,055
2010	39,194	9,861	49,055
2011	40,688	8,367	49,055
2012	42,239	6,816	49,055
2013	43,849	5,206	49,055
2014	45,520	3,535	49,055
2015	47,255	1,802	49,057
	<u>\$ 296,500</u>	<u>\$ 46,887</u>	<u>\$ 343,387</u>

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$696. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2009. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,352. Rental expense for the year ended June 30, 2008 was \$8,336.

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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$175,749, \$163,426 and \$169,647, respectively, equal to the required contributions for each year.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 10. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$104,228.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 10. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting 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 a contract totaling \$106,260 for insulation of the law enforcement center. As of June 30, 2008, costs of \$33,590 have been incurred against the contract. The balance remaining at June 30, 2008 of \$72,670 will be paid as work on the project progresses.

Note 12. Contingent Liabilities

Hospital Revenue Bonds

Clarke County has issued general obligation hospital revenue bonds in accordance with Chapter 347A.1 of the Code of Iowa. The proceeds were used to remodel the hospital and build an ambulance garage. The bonds are payable primarily from revenues of the hospital. The balance of bonds unpaid at June 30, 2008 is \$310,000. The County is contingently liable for any debt service payments not covered by hospital revenues.

Litigation

The County is involved in two ongoing lawsuits. The cases have not gone to trial yet and the outcomes cannot be determined at this time. The County's insurance carrier is providing coverage for the lawsuits.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 13. Restatement of Beginning Balances

The following beginning balances have been restated to remove projects less than the capitalization threshold and properly reflect the capital assets as of July 1, 2007.

	<u>Construction in Progress</u>	<u>Governmental Activities Net Assets</u>
Balance, as previously reported	\$ 327,002	\$ 14,612,239
Adjustments:		
Capital Assets	<u>(302,108)</u>	<u>(302,108)</u>
Balance, as restated	<u>\$ 24,894</u>	<u>\$ 14,310,131</u>

Note 14. Subsequent Events

In August 2008, the County entered into a capital lease purchase agreement for \$113,010 to purchase a new motorgrader. The agreement will be paid in seven equal annual payments including interest at 3.95%.

In September 2008, the County entered into a capital lease purchase agreement for \$113,010 to purchase a new motorgrader. The agreement will be paid in seven equal annual payments including interest at 3.65%.

In March 2009, the County approved a line of credit with a local bank for bridge projects in the amount of \$400,000 at 3.6% interest for up to six months. The line of credit is necessary to pay the costs of the three bridge replacement projects until the County is reimbursed by federal and state funds.

After June 30, 2008, the County entered into various contracts totaling \$1,056,187 for three bridge replacement projects and phase two of the community services building remodeling project.

Required Supplementary Information

CLARKE 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, 2008

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 3,684,396	\$ 3,919,620	\$ 3,919,620	\$ (235,224)
Interest and penalty on property tax	40,112	45,000	45,000	(4,888)
Intergovernmental	3,774,550	3,043,908	3,713,908	60,642
Licenses and permits	10,950	14,050	14,050	(3,100)
Charges for service	249,730	301,257	301,257	(51,527)
Use of money and property	180,481	234,500	234,500	(54,019)
Miscellaneous	367,467	348,754	380,784	(13,317)
Total receipts	<u>8,307,686</u>	<u>7,907,089</u>	<u>8,609,119</u>	<u>(301,433)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,450,809	1,512,770	1,553,935	103,126
Physical health and social services	985,913	1,029,310	1,074,310	88,397
Mental health	1,176,599	974,836	1,182,661	6,062
County environment and education	275,149	282,566	289,566	14,417
Roads and transportation	2,930,518	2,393,250	2,643,250	(287,268)
Government services to residents	331,234	336,187	336,187	4,953
Administration	736,598	770,968	781,468	44,870
Debt service	3,004,138	587,200	3,157,680	153,542
Capital projects	913,474	550,800	1,195,800	282,326
Total disbursements	<u>11,804,432</u>	<u>8,437,887</u>	<u>12,214,857</u>	<u>410,425</u>
Excess (deficiency) of receipts over (under) disbursements	(3,496,746)	(530,798)	(3,605,738)	108,992
Other financing sources, net	<u>1,271,500</u>	<u>476,042</u>	<u>676,042</u>	<u>595,458</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,225,246)	(54,756)	(2,929,696)	704,450
Balance beginning of year	<u>4,873,016</u>	<u>3,905,709</u>	<u>3,905,709</u>	<u>967,307</u>
Balance end of year	<u>\$ 2,647,770</u>	<u>\$ 3,850,953</u>	<u>\$ 976,013</u>	<u>\$ 1,671,757</u>

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,307,686	\$ (124,631)	\$ 8,183,055
Expenditures	11,804,432	51,445	11,855,877
Net	(3,496,746)	(176,076)	(3,672,822)
Other financing sources, net	1,271,500	-	1,271,500
Beginning fund balances	4,873,016	170,254	5,043,270
Ending fund balances	<u>\$ 2,647,770</u>	<u>\$ (5,822)</u>	<u>\$ 2,641,948</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2008

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 blended component units, internal service funds, and 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. 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, three budget amendments increased budgeted disbursements by \$3,776,970. These budget amendments are 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 Emergency Management Services by the County Environmental Services Board.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function prior to the amendment of the County budget and exceeded the amount budgeted in the roads and transportation function at year end. In addition, disbursements in one department exceeded the amount appropriated prior to the amendment of the appropriations. Also, disbursements exceeded the amount budgeted for the County Extension Office.

## Other Supplementary Information

CLARKE COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2008

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
<b>Assets</b>				
Cash and pooled investments	\$ 11,078	\$ 78,773	\$ 47,270	\$ 26,229
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	166	-	-	-
Accrued interest	27	84	-	82
Total assets	\$ <u>11,271</u>	\$ <u>78,857</u>	\$ <u>47,270</u>	\$ <u>26,311</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-			
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	-	-
Unreserved	11,271	78,857	47,270	26,311
Total fund balances	11,271			
Total liabilities and fund balances	\$ <u>11,271</u>	\$ <u>78,857</u>	\$ <u>47,270</u>	\$ <u>26,311</u>

				Debt Service		
Drug Forfeiture	County Attorney Forfeiture	Local Option Sales and Services Tax Revenue	SIRWA Grid Project Sinking	Courthouse Projects	Landfill Project	Child Care Center Reserve
\$ 10,923	\$ 12,355	\$ 462,026	\$ 25,000	\$ 10,468	\$ 1,742	\$ 24,539
-	-	-	-	1,628	-	-
-	-	-	-	104,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 10,923</u>	<u>\$ 12,355</u>	<u>\$ 462,026</u>	<u>\$ 25,000</u>	<u>\$ 116,096</u>	<u>\$ 1,742</u>	<u>\$ 24,539</u>
\$ -	\$ -	\$ 27,000	\$ -	\$ 100	\$ -	\$ -
-	-	-	-	104,000	-	-
-	-	-	-	1,628	-	-
-	-	27,000	-	105,728	-	-
-	-	-	-	10,368	1,742	24,539
10,923	12,355	435,026	25,000	-	-	-
<u>10,923</u>	<u>12,355</u>	<u>435,026</u>	<u>25,000</u>	<u>10,368</u>	<u>1,742</u>	<u>24,539</u>
<u>\$ 10,923</u>	<u>\$ 12,355</u>	<u>\$ 462,026</u>	<u>\$ 25,000</u>	<u>\$ 116,096</u>	<u>\$ 1,742</u>	<u>\$ 24,539</u>

CLARKE COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	<u>Capital Projects</u>	<u>Total</u>
Assets		
Cash and pooled investments	\$ 565,568	\$ 1,275,971
Receivables:		
Property tax:		
Delinquent	-	1,628
Succeeding year	-	104,000
Accounts	-	166
Accrued interest	-	193
	<hr/>	<hr/>
Total assets	\$ 565,568	\$ 1,381,958
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 6,786	\$ 33,886
Deferred revenue:		
Succeeding year property tax	-	104,000
Other	-	1,628
Total liabilities	<hr/>	<hr/>
	6,786	139,514
	<hr/> <hr/>	<hr/> <hr/>
Fund balances:		
Reserved for:		
Debt service	-	36,649
Unreserved	558,782	1,205,795
Total fund balances	<hr/>	<hr/>
	558,782	1,242,444
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 565,568	\$ 1,381,958
	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	12,639	-	-
Charges for service	2,265	-	-	-
Use of money and property	193	1,291	7,227	600
Miscellaneous	-	-	57,254	351
Total revenues	<u>2,458</u>	<u>13,930</u>	<u>64,481</u>	<u>951</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	20,635	-
Total expenditures	<u>-</u>	<u>-</u>	<u>20,635</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,458	13,930	43,846	951
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
Capital loan notes issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,458	13,930	43,846	951
Fund balances beginning of year	<u>8,813</u>	<u>64,927</u>	<u>3,424</u>	<u>25,360</u>
Fund balances end of year	<u>\$ 11,271</u>	<u>\$ 78,857</u>	<u>\$ 47,270</u>	<u>\$ 26,311</u>

					Debt Service	
Drug Forfeiture	County Attorney Forfeiture	Local Option Sales and Services Tax Revenue	Local Option Sales and Services Tax Reserve	SIRWA Grid Project Sinking	Courthouse Projects	Landfill Project
\$ -	\$ -	\$ 221,468	\$ -	\$ -	\$ 149,469	\$ -
-	-	-	-	-	19,218	47,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	221,468	-	-	168,687	47,600
3,039	-	-	-	-	-	-
-	-	24,927	-	-	182,137	47,600
-	-	117,400	-	-	-	-
3,039	-	142,327	-	-	182,137	47,600
(3,039)	-	79,141	-	-	(13,450)	-
-	-	-	-	-	12,711	-
-	-	(2,230,206)	(368,000)	-	-	-
-	-	-	-	-	-	-
-	-	(2,230,206)	(368,000)	-	12,711	-
(3,039)	-	(2,151,065)	(368,000)	-	(739)	-
13,962	12,355	2,586,091	368,000	25,000	11,107	1,742
<u>\$ 10,923</u>	<u>\$ 12,355</u>	<u>\$ 435,026</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 10,368</u>	<u>\$ 1,742</u>

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	Child Care Center Reserve	Capital Projects	Total
Revenues:			
Property and other County tax	\$ -	\$ -	\$ 370,937
Intergovernmental	1,578	-	81,035
Charges for service	-	-	2,265
Use of money and property	-	1,311	10,622
Miscellaneous	1,200	-	58,805
Total revenues	<u>2,778</u>	<u>1,311</u>	<u>523,664</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	3,039
Debt service	-	12,737	267,401
Capital projects	-	429,899	567,934
Total expenditures	<u>-</u>	<u>442,636</u>	<u>838,374</u>
Excess (deficiency) of revenues over (under) expenditures	2,778	(441,325)	(314,710)
Other financing sources (uses):			
Interfund transfers in	-	113,852	126,563
Interfund transfers out	-	(93,852)	(2,692,058)
Capital loan notes issued	-	975,000	975,000
Total other financing sources (uses)	<u>-</u>	<u>995,000</u>	<u>(1,590,495)</u>
Net change in fund balances	2,778	553,675	(1,905,205)
Fund balances beginning of year	<u>21,761</u>	<u>5,107</u>	<u>3,147,649</u>
Fund balances end of year	<u>\$ 24,539</u>	<u>\$ 558,782</u>	<u>\$ 1,242,444</u>

See accompanying independent auditor's report.

CLARKE COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2008

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 13,887	\$ 217,453	\$ 231,340
Receivables:			
Accounts	-	2,111	2,111
Accrued interest	-	230	230
Total assets	<u>13,887</u>	<u>219,794</u>	<u>233,681</u>
Liabilities			
Accounts payable	<u>-</u>	<u>62,188</u>	<u>62,188</u>
Net Assets			
Unrestricted	<u>\$ 13,887</u>	<u>\$ 157,606</u>	<u>\$ 171,493</u>

See accompanying independent auditor's report.

## CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2008

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues:			
Charges to operating funds	\$ -	\$ 632,840	\$ 632,840
Charges to employees and others	32,280	127,458	159,738
Total operating revenues	<u>32,280</u>	<u>760,298</u>	<u>792,578</u>
Operating expenses:			
Insurance premiums	-	761,858	761,858
Medical claims	-	9,433	9,433
Flexible spending claims	27,568	-	27,568
Administrative fees	1,860	-	1,860
Total operating expenses	<u>29,428</u>	<u>771,291</u>	<u>800,719</u>
Operating income (loss)	2,852	(10,993)	(8,141)
Non-operating revenues:			
Interest on investments	-	4,536	4,536
Net income (loss)	2,852	(6,457)	(3,605)
Net assets beginning of year	<u>11,035</u>	<u>164,063</u>	<u>175,098</u>
Net assets end of year	<u>\$ 13,887</u>	<u>\$ 157,606</u>	<u>\$ 171,493</u>

See accompanying independent auditor's report.

CLARKE COUNTY  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2008

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 632,840	\$ 632,840
Cash received from employees and others	32,280	125,347	157,627
Cash payments to suppliers for services	<u>(29,428)</u>	<u>(709,103)</u>	<u>(738,531)</u>
Net cash provided by operating activities	<u>2,852</u>	<u>49,084</u>	<u>51,936</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>4,306</u>	<u>4,306</u>
Net increase in cash and cash equivalents	2,852	53,390	56,242
Cash and cash equivalents at beginning of year	<u>11,035</u>	<u>164,063</u>	<u>175,098</u>
Cash and cash equivalents at end of year	<u>\$ 13,887</u>	<u>\$ 217,453</u>	<u>\$ 231,340</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,852	\$ (10,993)	\$ (8,141)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Increase) in accounts receivable	-	(2,111)	(2,111)
Increase in accounts payable	<u>-</u>	<u>62,188</u>	<u>62,188</u>
Net cash provided by operating activities	<u>\$ 2,852</u>	<u>\$ 49,084</u>	<u>\$ 51,936</u>

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2008

	<u>County Offices</u>		Agricultural	
	<u>County</u>	<u>County</u>	Extension	County
	<u>Recorder</u>	<u>Sheriff</u>	<u>Education</u>	<u>Assessor</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	1,330	\$ 52,298
Other County officials	6,524	21,973	-	-
Receivables:				
Property tax:				
Delinquent	-	-	991	2,393
Succeeding year	-	-	83,000	195,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	3,868
	<hr/>			
Total assets	<u>\$ 6,524</u>	<u>\$ 21,973</u>	<u>\$ 85,321</u>	<u>\$ 253,559</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,451	\$ 9,554	\$ -	\$ 228
Salaries and benefits payable	-	-	-	3,261
Due to other governments	73	-	85,321	238,075
Trusts payable	-	12,419	-	-
Compensated absences	-	-	-	11,995
	<hr/>			
Total liabilities	<u>\$ 6,524</u>	<u>\$ 21,973</u>	<u>\$ 85,321</u>	<u>\$ 253,559</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 65,037	\$ 2,872	\$ 37,484	\$ 2,050	\$ 1,087	\$ 18,579	\$ 15
-	-	-	-	-	-	-
49,598	2,133	52,244	1,057	-	13,743	12
4,138,000	194,000	3,416,000	127,000	-	1,131,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,252,635</u>	<u>\$ 199,005</u>	<u>\$ 3,505,728</u>	<u>\$ 130,107</u>	<u>\$ 1,087</u>	<u>\$ 1,163,322</u>	<u>\$ 1,027</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,252,635	199,005	3,505,728	130,107	1,087	1,163,322	1,027
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,252,635</u>	<u>\$ 199,005</u>	<u>\$ 3,505,728</u>	<u>\$ 130,107</u>	<u>\$ 1,087</u>	<u>\$ 1,163,322</u>	<u>\$ 1,027</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2008

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 148,178	\$ 99,617	\$ 9,826	\$ 7,284
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 148,178</u>	<u>\$ 99,617</u>	<u>\$ 9,826</u>	<u>\$ 7,284</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,388	\$ -	\$ -	\$ 38
Salaries and benefits payable	-	-	-	675
Due to other governments	141,790	-	-	4,602
Trusts payable	-	99,617	9,826	-
Compensated absences	-	-	-	1,969
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 148,178</u>	<u>\$ 99,617</u>	<u>\$ 9,826</u>	<u>\$ 7,284</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Reservoir Local Option Sales and Services Tax</u>	<u>Total</u>
\$ 173	\$ (85,037)	\$ -	\$ 360,793
-	-	-	28,497
-	-	-	122,171
-	-	-	9,285,000
166	-	-	166
-	92,573	18,094	110,667
-	-	-	3,868
<u>\$ 339</u>	<u>\$ 7,536</u>	<u>\$ 18,094</u>	<u>\$ 9,911,162</u>
\$ -	\$ -	\$ -	\$ 22,659
-	7,536	-	11,472
339	-	18,094	9,741,205
-	-	-	121,862
-	-	-	13,964
<u>\$ 339</u>	<u>\$ 7,536</u>	<u>\$ 18,094</u>	<u>\$ 9,911,162</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2008

	County Offices		Agricultural Extension Education	County Assessor
	County Recorder	County Sheriff		
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 6,294	\$ 28,198	\$ 86,658	\$ 260,105
Additions:				
Property and other County tax	-	-	83,095	194,606
Local option sales and services tax	-	-	-	-
State tax credits	-	-	3,987	9,627
Office fees and collections	179,817	291,924	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	226,824	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	3,823
Total additions	179,817	518,748	87,082	208,056
Deductions:				
Agency remittances:				
To other funds	94,335	298,686	-	-
To other governments	85,252	589	88,419	214,602
Trusts paid out	-	225,698	-	-
Total deductions	179,587	524,973	88,419	214,602
Balances end of year	\$ 6,524	\$ 21,973	\$ 85,321	\$ 253,559

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 4,322,075	\$ 185,307	\$ 2,768,172	\$ 123,963	\$ -	\$ 1,224,933	\$ 1,585
4,123,504	197,819	3,336,362	128,202	-	1,126,906	986
-	-	-	-	-	-	-
194,918	8,598	88,684	6,618	-	55,507	47
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,535	-	-
-	-	-	-	-	-	-
<u>4,318,422</u>	<u>206,417</u>	<u>3,425,046</u>	<u>134,820</u>	<u>11,535</u>	<u>1,182,413</u>	<u>1,033</u>
-	-	-	-	-	-	-
4,387,862	192,719	2,687,490	128,676	10,448	1,244,024	1,591
-	-	-	-	-	-	-
<u>4,387,862</u>	<u>192,719</u>	<u>2,687,490</u>	<u>128,676</u>	<u>10,448</u>	<u>1,244,024</u>	<u>1,591</u>
\$ <u><u>4,252,635</u></u>	\$ <u><u>199,005</u></u>	\$ <u><u>3,505,728</u></u>	\$ <u><u>130,107</u></u>	\$ <u><u>1,087</u></u>	\$ <u><u>1,163,322</u></u>	\$ <u><u>1,027</u></u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2008

	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Advance Tax	Tax Sale Redemption
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 171,749	\$ -	\$ 104,183	\$ 12,667
Additions:				
Property and other County tax	-	-	-	-
Local option sales and services tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,847,281	298	-	-
Trusts	-	-	107,089	162,667
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>1,847,281</u>	<u>298</u>	<u>107,089</u>	<u>162,667</u>
Deductions:				
Agency remittances:				
To other funds	82,084	-	-	-
To other governments	1,788,768	298	-	-
Trusts paid out	-	-	111,655	165,508
Total deductions	<u>1,870,852</u>	<u>298</u>	<u>111,655</u>	<u>165,508</u>
Balances end of year	<u>\$ 148,178</u>	<u>\$ -</u>	<u>\$ 99,617</u>	<u>\$ 9,826</u>

See accompanying independent auditor's report.

<u>Emergency Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Reservoir Local Option Sales and Services Tax</u>	<u>Total</u>
\$ 9,906	\$ 190	\$ 6,197	\$ -	\$ 9,312,182
-	-	-	-	9,191,480
-	-	-	18,094	18,094
-	-	-	-	367,986
-	2,418	-	-	474,159
-	-	-	-	1,847,579
-	-	-	-	496,580
-	-	-	-	11,535
42,872	-	345,987	-	392,682
<u>42,872</u>	<u>2,418</u>	<u>345,987</u>	<u>18,094</u>	<u>12,800,095</u>
-	-	-	-	475,105
45,494	2,269	344,648	-	11,223,149
-	-	-	-	502,861
<u>45,494</u>	<u>2,269</u>	<u>344,648</u>	<u>-</u>	<u>12,201,115</u>
\$ <u>7,284</u>	\$ <u>339</u>	\$ <u>7,536</u>	\$ <u>18,094</u>	\$ <u>9,911,162</u>

## CLARKE COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property and other County tax	\$ 3,560,557	\$ 4,197,991	\$ 3,728,172	\$ 3,843,161
Interest and penalty on property tax	40,112	36,111	37,986	45,088
Intergovernmental	3,798,207	3,345,660	3,031,600	3,133,909
Licenses and permits	10,650	9,235	8,890	11,835
Charges for service	260,905	262,821	268,264	229,834
Use of money and property	143,553	285,982	192,814	115,778
Miscellaneous	369,071	254,497	323,628	307,346
<b>Total</b>	<b>\$ 8,183,055</b>	<b>\$ 8,392,297</b>	<b>\$ 7,591,354</b>	<b>\$ 7,686,951</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,440,885	\$ 1,457,547	\$ 1,369,187	\$ 1,308,070
Physical health and social services	1,005,010	919,485	897,918	847,740
Mental health	1,140,658	1,032,628	1,021,097	891,323
County environment and education	261,894	250,582	248,329	230,743
Roads and transportation	2,967,938	2,224,277	2,149,188	2,452,539
Government services to residents	334,031	304,375	388,646	312,804
Administration	762,990	697,713	729,359	671,734
Debt service	3,004,237	528,691	543,682	688,377
Capital projects	938,234	383,320	123,988	744,897
<b>Total</b>	<b>\$ 11,855,877</b>	<b>\$ 7,798,618</b>	<b>\$ 7,471,394</b>	<b>\$ 8,148,227</b>

See accompanying independent auditor's report.

CLARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 08	\$ <u>12,469</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 20(46) and 20(60)	133,119
Highway Planning and Construction	20.205	BROS 20(61)	21,565
Highway Planning and Construction	20.205	BROS 20(69)	21,080
Highway Planning and Construction	20.205	BROS 20(70)	<u>20,825</u>
			<u>196,589</u>
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	08-157, Task 36	<u>3,447</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1705IA	228,908
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1737IA	<u>300,209</u>
			<u>529,117</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families Child Care Mandatory and Matching Funds	93.558	FY 08	<u>12,837</u>
of the Child Care and Development Fund	93.596	FY 08	<u>3,268</u>
Foster Care - Title IV-E	93.658	FY 08	<u>7,998</u>
Adoption Assistance	93.659	FY 08	<u>1,934</u>
State Children's Insurance Program	93.767	FY 08	<u>107</u>
Medical Assistance Program	93.778	FY 08	<u>16,618</u>
Social Services Block Grant	93.667	FY 08	<u>8,418</u>
Social Services Block Grant	93.667	FY 08	<u>39,064</u>
			<u>47,482</u>

CLARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Immunization Grants	93.268	5887I423	\$ 1,434
Immunization Grants	93.268	5888I417	<u>3,000</u>
			<u>4,434</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5888WW22	5,480
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5888NB08	<u>9,210</u>
			<u>14,690</u>
Total			<u>\$ 850,990</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarke County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 17, 2009. 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 Clarke 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 Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke 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, including deficiencies we consider to be material weaknesses.

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 Clarke 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 Clarke County's financial statements that is more than inconsequential will not be prevented or detected by Clarke County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Clarke 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 II-B-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 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.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Clarke 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 Clarke County and other parties to whom Clarke 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 Clarke 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  
March 17, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Clarke County:

Compliance

We have audited the compliance of Clarke County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Clarke County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarke County's management. Our responsibility is to express an opinion on Clarke County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarke County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarke County's compliance with those requirements.

In our opinion, Clarke County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Clarke County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Clarke County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarke County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarke County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke County and other parties to whom Clarke 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.

Oskaloosa, Iowa  
March 17, 2009

CLARKE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke County did not qualify as a low-risk auditee.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 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) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Recorder, Sheriff
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Auditor, 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.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

SIGNIFICANT DEFICIENCIES (continued):

II-A-08 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor is currently evaluating the disbursement transactions and documenting each review on the applicable disbursement records. Two individuals in most instances are now jointly involved in the check preparation, signing, and mailing process.

County Recorder – We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-08 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions not recorded in the County's financial statements. We also noted material differences in depreciation expense and accumulated depreciation for capital assets. Adjustments were subsequently made by the County to properly record these amounts in the financial statements. In addition, the beginning balance of the governmental activities was restated by \$302,108 to more accurately reflect the capital assets.

Recommendation – The County should implement procedures to ensure all receivables and capital asset amounts are properly identified and included in the County's financial statements and that capital asset depreciation is properly calculated. A physical inventory of capital assets should be taken at least annually and reconciled to the detailed capital asset records.

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

Conclusion – Response accepted.

CLARKE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function prior to the amendment of the County budget and exceeded the amount budgeted in the roads and transportation function at year end. Disbursements in the local option tax department exceeded the amount appropriated prior to the amendment of the appropriations.

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 – The budget was exceeded due to the paying off of the local option sales and services tax revenue bonds and the execution of the capital lease purchase agreement. In the future, we will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-08 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.

IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-08 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.

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 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.

IV-H-08 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).

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

IV-I-08 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, 2008 exceeded the amount budgeted for the County Extension Office.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will monitor disbursements more closely in the future and amend the budget when required.

Conclusion – Response accepted.

IV-J-08 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$86,787 at June 30, 2008.

Recommendation – The County needs to explore alternatives to restore the Mental Health Fund to a sound financial condition.

Response – We will work on restoring the Mental Health Fund to a sound financial condition.

Conclusion – Response accepted.

IV-K-08 Addition to Basic Levy – The County certified an addition to the basic levy for the General Basic Fund but did not publish the additional information required by Chapter 331.426(2) of the Code of Iowa.

Recommendation – If the County certifies an addition to the basic levy, the following information must be included in the public notice of the hearing on the County budget:

- a) A statement that the accompanying budget summary requires a proposed basic property tax rate exceeding the maximum rate established by the general assembly.
- b) A comparison of the proposed basic tax rate with the maximum basic tax rate, and the dollar amount of the difference between the proposed rate and the maximum rate.
- c) A statement of the major reasons for the difference between the proposed basic tax rate and the maximum basic tax rate.

Response – We will make sure that we comply with all publication requirements for any additions to the basic levies in the future.

Conclusion – Response accepted.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

IV-L-08 Debt Service Payments – We noted that the payment of principal and interest for the County’s promissory note was made through the roads and transportation function rather than the debt service function.

Recommendation – All payments on long-term debt such as promissory notes should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditure totals.

Response – We will properly make all debt service payments through the debt service function in the future.

Conclusion – Response accepted.

IV-M-08 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfer from the General Fund to the Special Revenue, Secondary Roads Fund. During the year ended June 30, 2008, the County exceeded the maximum allowable transfer from the General Fund.

Recommendation – The County should be aware of the maximum allowable transfers and monitor them during the year to ensure compliance with the Code of Iowa.

Response – This was a miscalculation on our part this year. We will be more careful in the future to make sure the maximum allowable transfer is not exceeded.

Conclusion – Response accepted.