

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2008**

**LOUISA COUNTY**

**LOUISA COUNTY**

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# **LOUISA COUNTY**

# LOUISA COUNTY OFFICIALS

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Frank Jamison	Board of Supervisors	December 2010
David Wilson	Board of Supervisors	December 2008
Ken Purdy	Board of Supervisors	December 2008
Sylvia Belzer	County Auditor	December 2008
Karen Elkin	County Treasurer	December 2010
Leanne Black	County Recorder	December 2010
Curt Braby	County Sheriff	December 2008
David Mathews	County Attorney	December 2010
Gregory Johnson	County Assessor	*

\* Appointed by County



## INDEPENDENT AUDITOR'S REPORT

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To the Officials of Louisa County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Louisa County. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 January 20, 2009, on our consideration of Louisa 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.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 34 and 35 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa 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 six years ended June 30, 2007, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 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 our 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.

*Eide Bailly LLP*

Dubuque, Iowa  
January 20, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Louisa County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Louisa County is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 3.8%, or approximately \$362,000, from fiscal year 2007 to fiscal year 2008. Property tax increased approximately \$447,000, operating grants and contributions increased approximately \$530,000, and capital grants and contributions decreased approximately \$924,000.
- Program expenses were 6.5%, or approximately \$560,000, more in fiscal year 2008 than in fiscal year 2007. Administration expense increased approximately \$140,000, county environment and education increased approximately \$64,000, and roads and transportation decreased approximately \$429,000.
- The County's net assets decreased .9%, or approximately \$124,000, from June 30, 2007 to June 30, 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Louisa County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Louisa County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Louisa County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds, Special Revenue Funds, and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

The County has two kinds of funds:

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

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

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

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

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

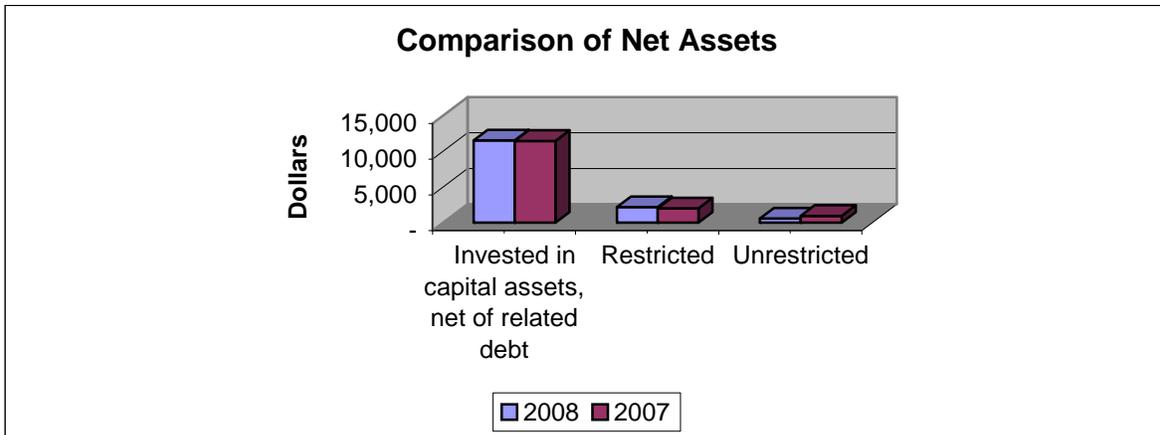
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Louisa County's combined net assets decreased from \$14.4 million to \$14.3 million. The analysis that follows focuses on the changes in net assets of governmental activities.

### Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30,	
	2008	2007
Current and other assets	\$ 12,460	\$ 8,903
Capital assets	11,726	11,465
Total assets	24,186	20,368
Long-term debt outstanding	3,788	242
Other liabilities	6,096	5,700
Total liabilities	9,884	5,942
Net assets:		
Invested in capital assets, net of related debt	11,533	11,465
Restricted	2,174	2,007
Unrestricted	595	954
Total net assets	\$ 14,302	\$ 14,426



Net assets of Louisa County's governmental activities decreased by .9% (\$14.3 million compared to \$14.4 million). The largest portion of the County's net assets is invested in capital assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt Louisa County has at June 30, 2008, is a bond issue in the amount of \$3,985,000 for the construction of the Louisa County Jail. The bonds will be paid with revenue from the Local Option Sales and Services Tax. Louisa County does not have a tax for debt service. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from approximately \$954,000 at June 30, 2007, to approximately \$595,000 at the end of this year, a decrease of 38%.

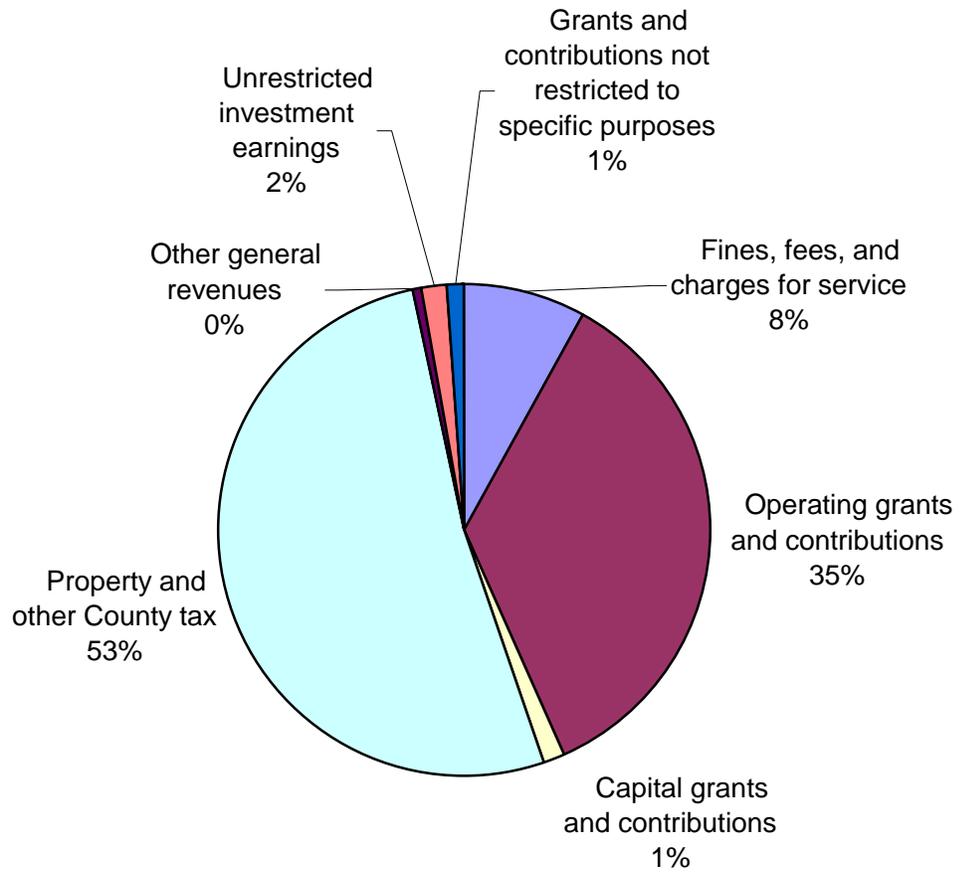
This decrease of approximately \$359,000 in unrestricted net assets was a result of higher spending mental health, county environment and education, governmental services to residents, administration, and public safety and legal services.

### Changes in Net Assets of Governmental Activities

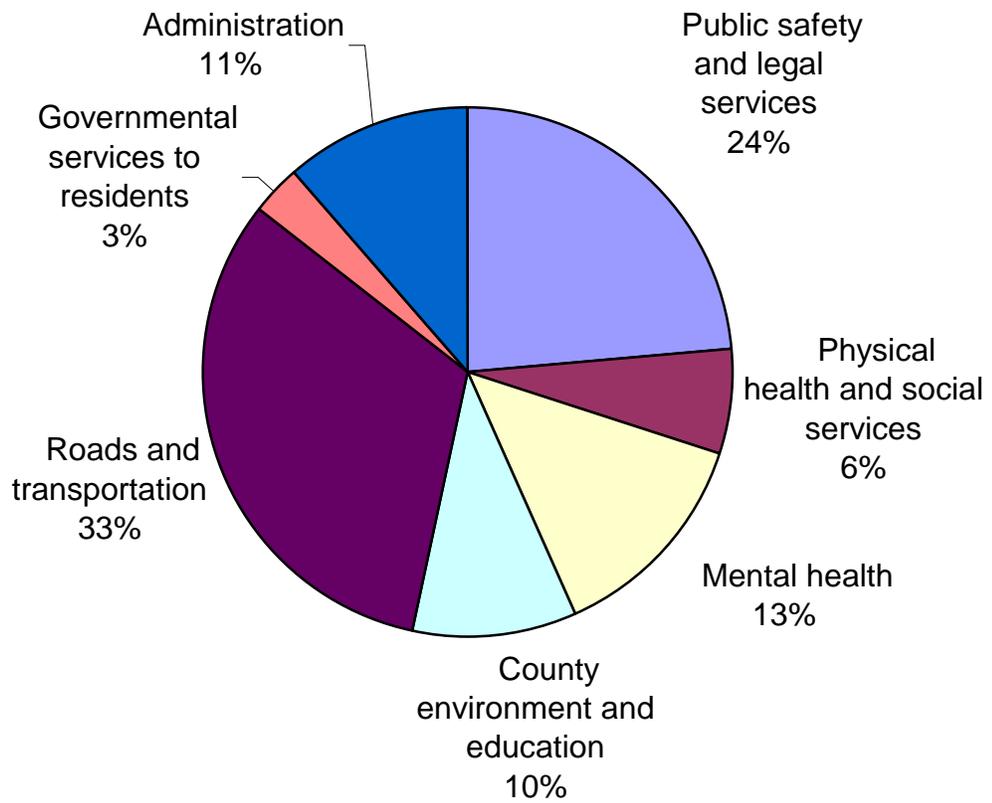
(Expressed in Thousands)

	Year Ended June 30,	
	2008	2007
Program revenues:		
Fines, fees, and charges for service	\$ 735	\$ 707
Operating grants and contributions	3,215	2,685
Capital grants and contributions	108	1,032
General revenues:		
Property and other County tax	4,738	4,291
Grants and contributions not restricted to specific purposes	93	176
Unrestricted investment earnings	166	234
Other general revenues	37	329
Total revenues	9,092	9,454
Program expenses:		
Public safety and legal services	2,172	1,674
Physical health and social services	589	527
Mental health	1,219	1,021
County environment and education	908	844
Roads and transportation	2,973	3,402
Governmental services to residents	270	265
Administration	1,045	905
Interest on long-term debt	40	18
Total expenses	9,216	8,656
Increase in net assets	(124)	798
Net assets July 1, 2007	14,426	13,628
Net assets June 30, 2008	\$ 14,302	\$ 14,426

## Revenue by Source



## Expenses by Program



Louisa County's net assets of governmental activities decreased by approximately \$124,000 during the year. Revenues for governmental activities decreased by approximately \$362,000 over the prior year, with operating grants and contributions up from the prior year by approximately \$530,000, or 20%, and capital grants and contributions down from the prior year by approximately \$924,000.

The County property tax rates for 2008 were decreased. The valuation increase and reduced property tax rates kept the County's property tax revenue static, increasing by \$5,590.

The cost of all governmental activities this year was \$9.216 million compared to \$8.66 million last year. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$5.2 million because some of the cost was paid by those directly benefited from the programs (\$735,000), or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,215,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2008 from approximately \$4,424,000 to \$4,058,000, principally due to a decrease in capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,738,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Louisa County completed the year, its governmental funds reported a combined fund balance of \$6.6 million, an increase of \$3,538,000 above last year's total of \$3.062 million. The increase in fund balance is largely due to the addition of the Capital Projects Fund for the construction of a new jail.

- General Fund revenues and expenditures fluctuated when compared to prior year. Revenue increased by \$159,000, and expenditures increased by \$227,000. The ending fund balance showed a decrease of approximately \$187,000 from the prior year to approximately \$1,128,000.
- Rural Services Fund revenues and expenditures increased somewhat compared to prior year. The ending fund balance showed an increase of approximately \$11,000 from the prior year to approximately \$109,800.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,206,000, an increase of 18% from the prior year, and revenues totaled approximately \$681,000, a decrease of 22% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$524,000 over the prior year. Expenditures for mental health services have increased due to the State of Iowa changes in the way a client's residency by county affects the fees Louisa County pays to facilities for our clients, as well as the general increase in all things such as utilities and transportation, which have escalated all costs.
- Secondary Roads Fund expenditures decreased by approximately \$725,000 over the prior year, due to fewer road projects. Revenues increased by approximately \$97,000 over the prior year. The decrease in expenditures and small increase in revenues resulted in an increase in the Secondary Roads Fund ending balance of approximately \$127,000, or 16%.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget three times. The amendments were made in August of 2007 and March and May, 2008 and resulted in an increase in budget disbursements. In August these were related to the bonds collected in revenue for the jail. In March these were related to the receipt and disbursement of money from the Fair Board of Louisa County paying off the lease purchase for track lights; DECAT grant money received and to be expended; to allow for the county complex water system. In May the Louisa County Landfill Commission paid off G.O. bonds which resulted in \$190,075 in receipts and disbursements by the County. The total amendments were for an increase in expenditures of \$4,652,484 of which additional revenue and other financing sources offset \$4,455,800 of these amendments.

This information is available at the County Auditor's Office.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2008, the County had approximately \$11.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$261,000, or 2% over last year.

#### Capital Assets of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2008	2007
Land	\$ 1,313	\$ 1,313
Construction in progress	596	-
Buildings and improvements	981	1,023
Machinery and equipment	1,234	1,235
Infrastructure	7,602	7,894
Total	\$ 11,726	\$ 11,465

This year's major additions included (in thousands):

New jail project in progress	\$ 595
John Deere excavator	111
Bridge replacement	101
	\$ 807

The County had depreciation expense of \$754,183 for the year ended June 30, 2008, and total accumulated depreciation as of June 30, 2008, of \$6,278,479. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

#### Long-Term Debt

At June 30, 2008, Louisa County had approximately \$4,167,000 in bond debt and other debt, as shown below.

Other obligations include compensated absences.

## Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2008	2007
General obligation bonds	\$ 3,925	\$ 235
Compensated absences	242	170
Total	<u>\$ 4,167</u>	<u>\$ 405</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Louisa County's outstanding general obligation debt is significantly below this \$35 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2009 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Louisa County has a very small population, 12,183, and the Board interprets the economic situation from the knowledge they have from news, local conditions and information from the Iowa State Association of Counties. The Board considers what the Compensation Board recommends for salaries for elected officials. In fiscal year 2009 there was a three percent increase in salaries for the elected officials. In determining the budget for 2009, the tax rate for General Basic increased to \$4.25000 from \$3.94350. The General Supplemental levy decreased to \$1.46000 from \$1.65650. The Rural Services Basic rate decreased from \$3.01280 to \$2.76073. The transfer to Secondary Roads remained the same as fiscal year 2008, \$1,117,761. A transfer from General Basic to Secondary Roads was not made. The Mental Health levy increased from \$.20000 to \$1.10326. With an increase of valuation and a significant increase in rates, the tax revenue will be needed due to the mental health fund balance decreasing substantially which was not expected by the Board of Supervisors, and due to increased general basic needs. Tax revenues projected to be increased by \$618,972.

The Sheriff and Secondary Roads departments have a union, which had a three year salary and health insurance clause, which was negotiated July 1, 2008, and this will cause their wages and benefits to remain steady for budgeting until June 30, 2011.

### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Louisa County, 117 S. Main, Wapello, Iowa.

**BASIC FINANCIAL STATEMENTS**

**LOUISA COUNTY**

**LOUISA COUNTY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**Exhibit A**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 7,008,533
Receivables:	
Property tax:	
Delinquent	9,689
Succeeding year	4,903,783
Interest and penalty on property tax	15,684
Accounts	32,188
Accrued interest	26,517
Due from other governments	390,139
Prepaid expenses	73,189
Capital assets:	
Land, not being depreciated	1,909,200
Other capital assets (net of accumulated depreciation)	<u>9,817,091</u>
Total assets	<u>24,186,013</u>
<b>LIABILITIES</b>	
Accounts payable	575,264
Salaries and benefits payable	94,954
Accrued interest payable	26,939
Due to other governments	115,703
Unearned revenue	4,903,782
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	200,000
Compensated absences	179,245
Portion due or payable after one year:	
Bonds payable	3,725,225
Compensated absences	<u>62,455</u>
Total liabilities	<u>9,883,567</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,532,736
Restricted for:	
Supplemental levy purposes	380,369
Mental health purposes	133,181
Secondary roads purposes	996,712
Other purposes	664,943
Unrestricted	<u>594,505</u>
Total net assets	<u>\$ 14,302,446</u>

See notes to financial statements.

**LOUISA COUNTY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit B**

<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety and legal services	\$ 2,171,878	\$ 145,029	\$ 54,618	\$ -	\$ (1,972,231)
Physical health and social services	588,966	303,627	111,090	-	(174,249)
Mental health	1,219,362	5,719	579,192	-	(634,451)
County environment and education	908,165	43,514	295,119	13,645	(555,887)
Roads and transportation	2,973,184	32,213	2,175,309	81,096	(684,566)
Governmental services to residents	269,757	173,898	-	-	(95,859)
Administration	1,044,780	31,485	-	-	(1,013,295)
Non-program	118	-	-	-	(118)
Interest on long-term debt	39,853	-	-	12,914	(26,939)
Total governmental activities	<u>\$ 9,216,063</u>	<u>\$ 735,485</u>	<u>\$ 3,215,328</u>	<u>\$ 107,655</u>	<u>(5,157,595)</u>
<b>General Revenues:</b>					
Property and other County tax levied for:					
General purposes					4,247,460
Local option sales tax					490,389
Grants and contributions not restricted to specific purposes					93,186
Unrestricted investment earnings					165,768
Miscellaneous					37,349
Total general revenues					<u>5,034,152</u>
Change in net assets					(123,443)
Net assets beginning of year					<u>14,425,889</u>
Net assets end of year					<u>\$ 14,302,446</u>

**LOUISA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

**Exhibit C**

	Special Revenue					Nonmajor Governmental Funds	Total Governmental Funds
	General	Rural Services	Secondary Roads	Mental Health	Capital Projects		
<b>ASSETS</b>							
Cash and pooled investments	\$ 1,213,079	\$ 109,732	\$ 1,037,984	\$ 306,674	\$ 3,731,670	\$ 609,394	\$ 7,008,533
Receivables:							
Property tax:							
Delinquent	7,903	1,504	-	282	-	-	9,689
Succeeding year	3,096,966	1,205,628	-	601,189	-	-	4,903,783
Interest and penalty on property tax	15,684	-	-	-	-	-	15,684
Accounts	32,138	-	50	-	-	-	32,188
Accrued interest	9,932	-	-	-	16,537	48	26,517
Due from other governments	65,398	-	241,347	8,689	-	74,705	390,139
Prepaid expenses	59,906	-	11,550	1,733	-	-	73,189
Total assets	<u>\$ 4,501,006</u>	<u>\$ 1,316,864</u>	<u>\$ 1,290,931</u>	<u>\$ 918,567</u>	<u>\$ 3,748,207</u>	<u>\$ 684,147</u>	<u>\$ 12,459,722</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 130,254	\$ -	\$ 259,981	\$ 66,072	\$ 100,103	\$ 18,854	\$ 575,264
Salaries and benefits payable	56,977	-	34,141	3,836	-	-	94,954
Due to other governments	967	-	97	114,289	-	350	115,703
Deferred revenue:							
Succeeding year property tax	3,096,966	1,205,628	-	601,189	-	-	4,903,783
Other	87,372	1,404	80,479	562	-	-	169,817
Total liabilities	<u>3,372,536</u>	<u>1,207,032</u>	<u>374,698</u>	<u>785,948</u>	<u>100,103</u>	<u>19,204</u>	<u>5,859,521</u>
Fund balances:							
Reserved for:							
Supplemental levy purposes	367,718	-	-	-	-	-	367,718
Capital projects	-	-	-	-	3,648,104	-	3,648,104
Unreserved, reported in:							
General fund:							
Designated for capital improvements	307,682	-	-	-	-	-	307,682
Designated for Care Facility capital improvements	71,862	-	-	-	-	-	71,862
Undesignated	381,208	-	-	-	-	-	381,208
Special revenue funds	-	109,832	916,233	132,619	-	664,943	1,823,627
Total fund balances	<u>1,128,470</u>	<u>109,832</u>	<u>916,233</u>	<u>132,619</u>	<u>3,648,104</u>	<u>664,943</u>	<u>6,600,201</u>
Total liabilities and fund balances	<u>\$ 4,501,006</u>	<u>\$ 1,316,864</u>	<u>\$ 1,290,931</u>	<u>\$ 918,567</u>	<u>\$ 3,748,207</u>	<u>\$ 684,147</u>	<u>\$ 12,459,722</u>

See notes to financial statements.

**LOUISA COUNTY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**Exhibit D**

<b>Total governmental fund balances</b>	\$ 6,600,201
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Those assets consist of:	
Land	\$ 1,313,124
Construction in progress	596,076
Infrastructure, net of \$1,513,677 accumulated depreciation	7,602,106
Buildings and improvements, net of \$1,092,170 accumulated depreciation	980,885
Machinery and equipment, net of \$3,672,632 accumulated depreciation	<u>1,234,100</u>
Total capital assets	11,726,291
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:	
Property taxes and intergovernmental	169,818
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at June 30, 2008, are:	
Accrued interest on bonds	(26,939)
Bonds payable	(3,925,225)
Compensated absences	<u>(241,700)</u>
Total long-term liabilities	<u>(4,193,864)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 14,302,446</u></u>

**LOUISA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit E**

	Special Revenue				Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Rural Services	Secondary Roads	Mental Health			
Revenues:							
Property and other County tax	\$ 2,770,833	\$ 1,189,801	\$ -	\$ 99,006	\$ -	\$ 492,503	\$ 4,552,143
Interest and penalty on property tax	37,207	-	-	-	-	-	37,207
Intergovernmental	716,489	44,724	2,160,987	576,521	-	28,235	3,526,956
Licenses and permits	13,313	-	1,275	-	-	3,700	18,288
Charges for service	576,681	-	-	-	-	4,404	581,085
Use of money and property	168,324	-	-	-	16,538	573	185,435
Miscellaneous	30,311	-	30,938	5,719	-	288,499	355,467
Total revenues	<u>4,313,158</u>	<u>1,234,525</u>	<u>2,193,200</u>	<u>681,246</u>	<u>16,538</u>	<u>817,914</u>	<u>9,256,581</u>
Expenditures:							
Operating:							
Public safety and legal services	1,752,778	-	-	-	-	8,229	1,761,007
Physical health and social services	560,518	-	-	-	-	8,282	568,800
Mental health	-	-	-	1,206,049	-	-	1,206,049
County environment and education	731,587	70,761	-	-	-	-	802,348
Roads and transportation	-	35,000	3,040,632	-	-	-	3,075,632
Governmental services to residents	253,424	-	-	-	-	-	253,424
Administration	1,012,531	-	-	-	-	-	1,012,531
Non-program	-	-	-	-	-	118	118
Debt service	-	-	-	-	-	277,914	277,914
Capital projects	-	-	142,716	-	440,429	102,780	685,925
Total expenditures	<u>4,310,838</u>	<u>105,761</u>	<u>3,183,348</u>	<u>1,206,049</u>	<u>440,429</u>	<u>397,323</u>	<u>9,643,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,320</u>	<u>1,128,764</u>	<u>(990,148)</u>	<u>(524,803)</u>	<u>(423,891)</u>	<u>420,591</u>	<u>(387,167)</u>
Other financing sources (uses):							
Transfers in (out)	(189,770)	(1,117,761)	1,117,761	-	146,770	43,000	-
General obligation bond proceeds	-	-	-	-	3,985,000	-	3,985,000
General obligation bond discount	-	-	-	-	(59,775)	-	(59,775)
Total other financing sources (uses)	<u>(189,770)</u>	<u>(1,117,761)</u>	<u>1,117,761</u>	<u>-</u>	<u>4,071,995</u>	<u>43,000</u>	<u>3,925,225</u>
Net change in fund balances	(187,450)	11,003	127,613	(524,803)	3,648,104	463,591	3,538,058
Fund balances beginning of year	<u>1,315,920</u>	<u>98,829</u>	<u>788,620</u>	<u>657,422</u>	<u>-</u>	<u>201,352</u>	<u>3,062,143</u>
Fund balances end of year	<u>\$ 1,128,470</u>	<u>\$ 109,832</u>	<u>\$ 916,233</u>	<u>\$ 132,619</u>	<u>\$ 3,648,104</u>	<u>\$ 664,943</u>	<u>\$ 6,600,201</u>

See notes to financial statements.

**LOUISA 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**

**Exhibit F**

**Net change in fund balances - Total governmental funds** \$ 3,538,058

**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. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,015,497	
Depreciation expense	<u>(754,183)</u>	261,314

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Debt issued	(3,955,225)	
Repayments	<u>265,000</u>	
Net adjustment		(3,690,225)

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	4,682
Charges for service	12,971
Grant proceeds	83,386
Note receivable	<u>(235,000)</u>

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	(71,690)
Interest on debt	<u>(26,939)</u>

**Change in net assets of governmental activities** \$ (123,443)

**LOUISA COUNTY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2008**

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**Exhibit G**

**ASSETS**

Cash and pooled investments:

County Treasurer	\$ 963,568
Other County officials	3,109
Drainage districts	225,127

Receivables:

Property tax:

Delinquent	34,138
Succeeding year	11,095,801

Accounts	24,919
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Accrued interest	345
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Drainage assessments	234
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Special assessments	10,703
---------------------	--------

Due from other governments	16,610
----------------------------	--------

Prepaid expenses	<u>2,148</u>
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Total assets	<u>12,376,702</u>
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**LIABILITIES**

Accounts payable	21,012
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Salaries and benefits payable	3,325
-------------------------------	-------

Due to other governments	<u>12,352,365</u>
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Total liabilities	<u>12,376,702</u>
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**NET ASSETS**

\$	<u><u>-</u></u>
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**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Louisa 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.

*Reporting Entity*

For financial reporting purposes, Louisa 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.

These financial statements present Louisa County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

*Blended Component Units*

The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Louisa County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Louisa County Auditor's Office.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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*Jointly Governed Organizations*

The County 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: Louisa County Assessor's Conference Board, Louisa County Emergency Management Commission, Louisa County Empowerment Board, Louisa County Landfill Board, and Louisa County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

*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 and its component units. 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.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 funds 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.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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The County reports the following major governmental funds:

**General Fund** – 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 Funds** – 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 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.

**Capital Projects Fund** – The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following fund type:

**Fiduciary Funds** – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.

*Measurement Focus and Basis of Accounting*

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the 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 debt 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.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

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.

*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.

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 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.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% 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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represents assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2002, (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 repair 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	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Vehicles	3 – 10

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.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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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 unspent grant proceeds, the succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who 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, Mental Health, Rural Services, and Secondary Roads Funds.

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

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

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

*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 roads and transportation function.

**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. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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The County is authorized by state 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's only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,463,303 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

*Interest Rate Risk.* The County's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County. The County did not hold any investments with a maturity greater than 397 days during the year.

*Credit Risk.* The County's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year. The investment in the Iowa Public Agency Investment Trust is unrated.

*Concentration of Credit Risk.* The County's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any investments with a counterparty during the year.

**NOTE 3 – DEFICIT BALANCES**

At June 30, 2008, funds with deficit balances were as follows:

Special Revenue, Conservation Land Acquisition Trust	\$ 15,993
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The deficit balance is the result of equipment costs in excess of available funds. The deficit will be eliminated by a transfer from the general fund.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 – INTERFUND TRANSFERS**

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,117,761
Capital Projects	General	146,770
Nonmajor Governmental Funds	General	<u>43,000</u>
Total		<u>\$ 1,307,531</u>

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

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,313,124	\$ -	\$ -	\$ 1,313,124
Construction in progress	<u>-</u>	<u>697,446</u>	<u>101,370</u>	<u>596,076</u>
Total capital assets, not being depreciated	<u>1,313,124</u>	<u>697,446</u>	<u>101,370</u>	<u>1,909,200</u>
Capital assets, being depreciated:				
Buildings and improvements	2,073,055	-	-	2,073,055
Machinery and equipment	4,652,622	318,051	63,941	4,906,732
Infrastructure	<u>9,014,413</u>	<u>101,370</u>	<u>-</u>	<u>9,115,783</u>
Total capital assets, being depreciated	<u>15,740,090</u>	<u>419,421</u>	<u>63,941</u>	<u>16,095,570</u>
Less accumulated depreciation for:				
Buildings and improvements	1,049,797	42,373	-	1,092,170
Machinery and equipment	3,417,848	318,725	63,941	3,672,632
Infrastructure	<u>1,120,592</u>	<u>393,085</u>	<u>-</u>	<u>1,513,677</u>
Total accumulated depreciation	<u>5,588,237</u>	<u>754,183</u>	<u>63,941</u>	<u>6,278,479</u>
Total capital assets, being depreciated, net	<u>10,151,853</u>	<u>(334,762)</u>	<u>-</u>	<u>9,817,091</u>
Governmental activities capital assets, net	<u>\$ 11,464,977</u>	<u>\$ 362,684</u>	<u>\$ 101,370</u>	<u>\$ 11,726,291</u>

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Depreciation expense was charged to the following functions of the County as follows:

Governmental activities:		
Public safety and legal services	\$	58,357
Physical health and social services		2,889
Mental health		1,600
County environment and education		6,535
Roads and transportation		622,214
Governmental services to residents		12,014
Administration		<u>50,574</u>
Total depreciation expense – governmental activities	\$	<u>754,183</u>

**NOTE 6 – DUE TO OTHER GOVERNMENTS**

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

Fund	Description	Amount
General	Services	<u>\$ 967</u>
Special Revenue:		
Mental Health	Services	114,289
Secondary Roads		97
Well Testing		<u>350</u>
		<u>114,736</u>
Total for governmental funds		<u>\$ 115,703</u>
Agency:		
County Recorder	Collections	\$ 3,116
County Sheriff		31
Agricultural Extension Education		171,637
County Assessor		445,199
Schools		8,905,893
Community Colleges		420,705
Corporations		1,165,884
Townships		236,171
Auto License and Use Tax		184,977
Brucellosis and Tuberculosis Eradication		1,927
Fire Districts		131,794

(continued on next page)

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Fund	Description	Amount
Agency:		
E911 Surcharge	Collections	\$ 203,748
Joint Disaster Services		16,868
City Special Assessments		14,630
Drainage Districts		449,415
County Recorder's Electronic Fee		370
Total for agency funds		<u>\$ 12,352,365</u>

**NOTE 7 – CHANGES IN LONG-TERM LIABILITIES**

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

	Capital Lease Purchase Agreements	General Obligation Bonds	Unamortized Bond Discounts	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 235,000	\$ -	\$ 170,010	\$ 405,010
Increases	30,000	3,985,000	(59,775)	189,229	4,144,454
Decreases	<u>30,000</u>	<u>235,000</u>	<u>-</u>	<u>117,539</u>	<u>382,539</u>
Balance end of year	<u>\$ -</u>	<u>\$ 3,985,000</u>	<u>\$ (59,775)</u>	<u>\$ 241,700</u>	<u>\$ 4,166,925</u>
Due within one year	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 179,245</u>	<u>\$ 379,245</u>

Capital Lease Purchase Agreements

The County entered into a capital lease purchase agreement to assist the Fair Board in the purchase of track lighting. The lease was initiated and ended in fiscal year 2008, with total payments of \$31,279. The County was reimbursed by the Fair Board for all payments made under the lease.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Bonds Payable

A summary of the County's June 30, 2008, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	2.50%	\$ 200,000	\$ 164,540	\$ 364,540
2010	2.65	215,000	140,898	355,898
2011	2.90	220,000	135,200	355,200
2012	3.10	230,000	128,820	358,820
2013	3.25	235,000	121,690	356,690
2014-2018	3.40-4.00	1,305,000	480,683	1,785,683
2019-2023	4.05-4.25	<u>1,580,000</u>	<u>203,663</u>	<u>1,783,663</u>
Total		<u>\$ 3,985,000</u>	<u>\$ 1,375,494</u>	<u>\$ 5,360,494</u>

**NOTE 8 – 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 \$146,298, \$128,409, and \$120,264, respectively, equal to the required contributions for each year.

**NOTE 9 – RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Louisa 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 563 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.

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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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 200 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 contributions to the Pool for the year ended June 30, 2008, were \$136,913.

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 coverage since the Pool's inception.

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

**LOUISA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 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 10 – CONSTRUCTION COMMITMENTS**

The County has entered into a contract totaling \$2,202,159 for the new jail project. As of June 30, 2008, costs of \$238,351 on the project have been incurred. The \$1,963,808 balance remaining on the project at June 30, 2008, will be paid as work on the project progresses.

**NOTE 11 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by Louisa County. The statements, which might impact Louisa County, are as follows:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement was effective for the fiscal year ended June 30, 2006.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

**LOUISA COUNTY**

# LOUISA COUNTY

## BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance - Positive (Negative)
				Original	Final	
<b>Receipts:</b>						
Property and other County tax	\$ 4,477,320	\$ 2,114	\$ 4,475,206	\$ 4,073,947	\$ 4,073,947	\$ 401,259
Interest and penalty on property tax	37,229	-	37,229	26,500	26,500	10,729
Intergovernmental	3,656,323	-	3,656,323	3,581,183	3,811,183	(154,860)
Licenses and permits	18,238	-	18,238	16,685	16,685	1,553
Charges for service	596,427	-	596,427	507,541	528,074	68,353
Use of money and property	183,631	-	183,631	216,409	216,409	(32,778)
Miscellaneous	355,389	-	355,389	50,091	50,091	305,298
Total receipts	<u>9,324,557</u>	<u>2,114</u>	<u>9,322,443</u>	<u>8,472,356</u>	<u>8,722,889</u>	<u>599,554</u>
<b>Disbursements:</b>						
Public safety and legal services	1,737,613	-	1,737,613	1,858,436	1,861,662	124,049
Physical health and social services	535,360	-	535,360	636,825	636,825	101,465
Mental health	1,190,378	-	1,190,378	1,197,217	1,197,217	6,839
County environment and education	963,941	-	963,941	691,776	1,085,246	121,305
Roads and transportation	3,034,844	-	3,034,844	2,839,780	2,839,780	(195,064)
Governmental services to residents	263,369	-	263,369	266,404	274,504	11,135
Administration	1,112,620	-	1,112,620	1,282,812	1,304,612	191,992
Non-program	118	118	-	-	-	-
Debt service	277,914	-	277,914	72,560	277,915	1
Capital projects	1,034,760	-	1,034,760	898,700	4,919,233	3,884,473
Total disbursements	<u>10,150,917</u>	<u>118</u>	<u>10,150,799</u>	<u>9,744,510</u>	<u>14,396,994</u>	<u>4,246,195</u>
Excess (deficiency) of receipts over (under) disbursements	(826,360)	1,996	(828,356)	(1,272,154)	(5,674,105)	4,845,749
Other financing sources, net	<u>3,930,575</u>	<u>-</u>	<u>3,930,575</u>	<u>72,560</u>	<u>4,277,855</u>	<u>(347,280)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,104,215	1,996	3,102,219	(1,199,594)	(1,396,250)	4,498,469
Balance beginning of year	<u>3,899,550</u>	<u>27,968</u>	<u>3,871,582</u>	<u>3,871,582</u>	<u>3,871,582</u>	<u>-</u>
Balance end of year	<u>\$ 7,003,765</u>	<u>\$ 29,964</u>	<u>\$ 6,973,801</u>	<u>\$ 2,671,988</u>	<u>\$ 2,475,332</u>	<u>\$ 4,498,469</u>
<b>Reconciliation between cash and modified accrual basis:</b>						
	Governmental Funds					
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 9,324,557	\$ (67,976)	\$ 9,256,581			
Expenditures	<u>10,150,917</u>	<u>(507,169)</u>	<u>9,643,748</u>			
Net	(826,360)	439,193	(387,167)			
Other financing sources, net	3,930,575	(5,350)	3,925,225			
Beginning fund balances	<u>3,899,550</u>	<u>(837,407)</u>	<u>3,062,143</u>			
Ending fund balances	<u>\$ 7,003,765</u>	<u>\$ (403,564)</u>	<u>\$ 6,600,201</u>			

**LOUISA COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2008**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the 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 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, governmental 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 the Capital Projects Fund. 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 \$4,652,484. The 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, for the E911 System by the Joint E911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the roads and transportation function.

**OTHER SUPPLEMENTARY INFORMATION**

**LOUISA COUNTY**

**LOUISA COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008**

**Schedule 1**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and pooled investments	\$ 609,394	\$ -	\$ 609,394
Receivables:			
Accrued interest	48	-	48
Due from other governments	<u>74,705</u>	<u>-</u>	<u>74,705</u>
 Total assets	 <u>\$ 684,147</u>	 <u>\$ -</u>	 <u>\$ 684,147</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 18,854	\$ -	\$ 18,854
Due to other governments	<u>350</u>	<u>-</u>	<u>350</u>
 Total liabilities	 19,204	 -	 19,204
Fund balances:			
Unreserved - undesignated	<u>664,943</u>	<u>-</u>	<u>664,943</u>
 Total liabilities and fund balances	 <u>\$ 684,147</u>	 <u>\$ -</u>	 <u>\$ 684,147</u>

**LOUISA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 2**

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property and other County tax	\$ 492,503	\$ -	\$ 492,503
Intergovernmental	28,235	-	28,235
Licenses and permits	3,700	-	3,700
Charges for service	4,404	-	4,404
Use of money and property	573	-	573
Miscellaneous	10,585	277,914	288,499
Total revenues	<u>540,000</u>	<u>277,914</u>	<u>817,914</u>
Expenditures:			
Operating:			
Public safety and legal services	8,229	-	8,229
Physical health and social services	8,282	-	8,282
Non-program	118	-	118
Debt service	-	277,914	277,914
Capital projects	102,780	-	102,780
Total expenditures	<u>119,409</u>	<u>277,914</u>	<u>397,323</u>
Excess of revenues over expenditures	420,591	-	420,591
Other financing sources:			
Transfers in	<u>43,000</u>	-	<u>43,000</u>
Net change in fund balances	463,591	-	463,591
Fund balances beginning of year	<u>201,352</u>	-	<u>201,352</u>
Fund balances end of year	<u>\$ 664,943</u>	<u>\$ -</u>	<u>\$ 664,943</u>

**LOUISA COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

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	<u>County Recorder's Records Management</u>	<u>Resource Enhancement and Protection</u>	<u>Drainage Districts</u>
<b>ASSETS</b>			
Cash and pooled investments	\$ 13,423	\$ 32,242	\$ 29,963
Receivables:			
Accrued interest	10	38	-
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 13,433</u>	 <u>\$ 32,280</u>	 <u>\$ 29,963</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	-
 Fund balances:			
Unreserved - undesignated	<u>13,433</u>	<u>32,280</u>	<u>29,963</u>
 Total liabilities and fund balances	 <u>\$ 13,433</u>	 <u>\$ 32,280</u>	 <u>\$ 29,963</u>

<u>Confidential Investigation</u>	<u>Sheriff Patrol</u>	<u>Conservation Land Acquisition Trust</u>	<u>Well Abandonment Trust</u>	<u>Well Testing Trust</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 74,206	\$ 7,638	\$ 2,163	\$ 12,522	\$ 21,553	\$ 415,684	\$ 609,394
-	-	-	-	-	-	48
-	-	-	-	-	74,705	74,705
<u>\$ 74,206</u>	<u>\$ 7,638</u>	<u>\$ 2,163</u>	<u>\$ 12,522</u>	<u>\$ 21,553</u>	<u>\$ 490,389</u>	<u>\$ 684,147</u>
\$ 59	\$ -	\$ 18,156	\$ 600	\$ 39	\$ -	\$ 18,854
-	-	-	-	350	-	350
59	-	18,156	600	389	-	19,204
<u>74,147</u>	<u>7,638</u>	<u>(15,993)</u>	<u>11,922</u>	<u>21,164</u>	<u>490,389</u>	<u>664,943</u>
<u>\$ 74,206</u>	<u>\$ 7,638</u>	<u>\$ 2,163</u>	<u>\$ 12,522</u>	<u>\$ 21,553</u>	<u>\$ 490,389</u>	<u>\$ 684,147</u>

**LOUISA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2008**

	County Recorder's Records Management	Resource Enhancement and Protection	Drainage Districts
Revenues:			
Property and other County tax	\$ -	\$ -	\$ 2,114
Intergovernmental	-	13,645	-
Licenses and permits	-	-	-
Charges for service	2,370	-	-
Use of money and property	125	448	-
Miscellaneous	-	-	-
Total revenues	<u>2,495</u>	<u>14,093</u>	<u>2,114</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
Non-program	-	-	118
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>118</u>
Excess (deficiency) of revenues over (under) expenditures	2,495	14,093	1,996
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,495	14,093	1,996
Fund balances beginning of year	<u>10,938</u>	<u>18,187</u>	<u>27,967</u>
Fund balances end of year	<u>\$ 13,433</u>	<u>\$ 32,280</u>	<u>\$ 29,963</u>

Confidential Investigation	Sheriff Patrol	Conservation Land Acquisition Trust	Well Abandonment Trust	Well Testing Trust	Local Option Sales Tax	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 490,389	\$ 492,503
2,441	-	-	9,375	2,774	-	28,235
-	-	-	-	3,700	-	3,700
35	1,999	-	-	-	-	4,404
-	-	-	-	-	-	573
10,585	-	-	-	-	-	10,585
<u>13,061</u>	<u>1,999</u>	<u>-</u>	<u>9,375</u>	<u>6,474</u>	<u>490,389</u>	<u>540,000</u>
7,225	1,004	-	-	-	-	8,229
-	-	-	5,991	2,291	-	8,282
-	-	-	-	-	-	118
-	-	102,780	-	-	-	102,780
<u>7,225</u>	<u>1,004</u>	<u>102,780</u>	<u>5,991</u>	<u>2,291</u>	<u>-</u>	<u>119,409</u>
5,836	995	(102,780)	3,384	4,183	490,389	420,591
-	-	43,000	6,000	(6,000)	-	43,000
5,836	995	(59,780)	9,384	(1,817)	490,389	463,591
68,311	6,643	43,787	2,538	22,981	-	201,352
<u>\$ 74,147</u>	<u>\$ 7,638</u>	<u>\$ (15,993)</u>	<u>\$ 11,922</u>	<u>\$ 21,164</u>	<u>\$ 490,389</u>	<u>\$ 664,943</u>

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

Schedule 5

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>COUNTY AUDITOR</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
Other County officials	\$ -	\$ 1,175	\$ 1,175	\$ -
<b>LIABILITIES:</b>				
Due to other funds	\$ -	\$ 1,175	\$ 1,175	\$ -
<b>COUNTY RECORDER</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
Other County officials	\$ 7,478	\$ 165,400	\$ 169,800	\$ 3,078
Accounts receivable	-	38	-	38
Total assets	<u>\$ 7,478</u>	<u>\$ 165,438</u>	<u>\$ 169,800</u>	<u>\$ 3,116</u>
<b>LIABILITIES:</b>				
Due to other funds	\$ -	\$ 74,217	\$ 74,217	\$ -
Due to other governments	7,478	91,221	95,583	3,116
Total liabilities	<u>\$ 7,478</u>	<u>\$ 165,438</u>	<u>\$ 169,800</u>	<u>\$ 3,116</u>
<b>COUNTY SHERIFF</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
Other County officials	\$ 31	\$ 180,389	\$ 180,389	\$ 31
<b>LIABILITIES:</b>				
Due to other funds	\$ -	\$ 36,663	\$ 36,663	\$ -
Due to other governments	31	223	223	31
Trusts payable	-	143,503	143,503	-
Total liabilities	<u>\$ 31</u>	<u>\$ 180,389</u>	<u>\$ 180,389</u>	<u>\$ 31</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
<b>AGRICULTURAL EXTENSION EDUCATION FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 2,372	\$ 154,810	\$ 155,111	\$ 2,071
Property tax receivable:				
Delinquent	323	424	323	424
Succeeding year	155,045	169,142	155,045	169,142
Total assets	<u>\$ 157,740</u>	<u>\$ 324,376</u>	<u>\$ 310,479</u>	<u>\$ 171,637</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 157,740</u>	<u>\$ 324,376</u>	<u>\$ 310,479</u>	<u>\$ 171,637</u>
<b>COUNTY ASSESSOR FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 209,117	\$ 224,818	\$ 234,134	\$ 199,801
Property tax receivable:				
Delinquent	504	609	504	609
Succeeding year	223,335	245,590	223,335	245,590
Prepaid expenses	7	2,148	7	2,148
Total assets	<u>\$ 432,963</u>	<u>\$ 473,165</u>	<u>\$ 457,980</u>	<u>\$ 448,148</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 146	\$ 133	\$ 146	\$ 133
Salaries and benefits payable	3,336	2,816	3,336	2,816
Due to other governments	429,481	470,216	454,498	445,199
Total liabilities	<u>\$ 432,963</u>	<u>\$ 473,165</u>	<u>\$ 457,980</u>	<u>\$ 448,148</u>
<b>SCHOOLS FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 127,969	\$ 8,417,258	\$ 8,432,989	\$ 112,238
Property tax receivable:				
Delinquent	17,128	22,585	17,128	22,585
Succeeding year	8,411,307	8,771,070	8,411,307	8,771,070
Total assets	<u>\$ 8,556,404</u>	<u>\$ 17,210,913</u>	<u>\$ 16,861,424</u>	<u>\$ 8,905,893</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 8,556,404</u>	<u>\$ 17,210,913</u>	<u>\$ 16,861,424</u>	<u>\$ 8,905,893</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>COMMUNITY COLLEGES FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 6,467	\$ 399,885	\$ 400,795	\$ 5,557
Property tax receivable:				
Delinquent	804	1,066	804	1,066
Succeeding year	<u>398,052</u>	<u>414,082</u>	<u>398,052</u>	<u>414,082</u>
Total assets	<u>\$ 405,323</u>	<u>\$ 815,033</u>	<u>\$ 799,651</u>	<u>\$ 420,705</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 405,323</u>	<u>\$ 815,033</u>	<u>\$ 799,651</u>	<u>\$ 420,705</u>
<b>CORPORATIONS FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 30,370	\$ 1,403,704	\$ 1,408,434	\$ 25,640
Property tax receivable:				
Delinquent	6,887	8,592	6,887	8,592
Succeeding year	<u>1,132,571</u>	<u>1,131,652</u>	<u>1,132,571</u>	<u>1,131,652</u>
Total assets	<u>\$ 1,169,828</u>	<u>\$ 2,543,948</u>	<u>\$ 2,547,892</u>	<u>\$ 1,165,884</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 1,169,828</u>	<u>\$ 2,543,948</u>	<u>\$ 2,547,892</u>	<u>\$ 1,165,884</u>
<b>TOWNSHIPS FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 3,187	\$ 223,204	\$ 223,221	\$ 3,170
Property tax receivable:				
Delinquent	445	654	445	654
Succeeding year	<u>225,523</u>	<u>232,347</u>	<u>225,523</u>	<u>232,347</u>
Total assets	<u>\$ 229,155</u>	<u>\$ 456,205</u>	<u>\$ 449,189</u>	<u>\$ 236,171</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 229,155</u>	<u>\$ 456,205</u>	<u>\$ 449,189</u>	<u>\$ 236,171</u>
<b>AUTO LICENSE AND USE TAX FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 198,930	\$ 2,435,984	\$ 2,449,937	\$ 184,977
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 198,930</u>	<u>\$ 2,435,984</u>	<u>\$ 2,449,937</u>	<u>\$ 184,977</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 32	\$ 1,806	\$ 1,814	\$ 24
Property tax receivable:				
Delinquent	4	5	4	5
Succeeding year	1,809	1,898	1,809	1,898
Total assets	<u>\$ 1,845</u>	<u>\$ 3,709</u>	<u>\$ 3,627</u>	<u>\$ 1,927</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 1,845</u>	<u>\$ 3,709</u>	<u>\$ 3,627</u>	<u>\$ 1,927</u>
<b>FIRE DISTRICTS FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 1,652	\$ 123,311	\$ 123,392	\$ 1,571
Property tax receivable:				
Delinquent	174	203	174	203
Succeeding year	121,345	130,020	121,345	130,020
Total assets	<u>\$ 123,171</u>	<u>\$ 253,534</u>	<u>\$ 244,911</u>	<u>\$ 131,794</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 123,171</u>	<u>\$ 253,534</u>	<u>\$ 244,911</u>	<u>\$ 131,794</u>
<b>E911 SURCHARGE FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 202,051	\$ 88,713	\$ 97,493	\$ 193,271
Receivables:				
Accounts	14,230	19,562	14,230	19,562
Accrued interest	419	345	419	345
Total assets	<u>\$ 216,700</u>	<u>\$ 108,620</u>	<u>\$ 112,142</u>	<u>\$ 213,178</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,905	\$ 9,430	\$ 2,905	\$ 9,430
Due to other governments	213,795	99,190	109,237	203,748
Total liabilities	<u>\$ 216,700</u>	<u>\$ 108,620</u>	<u>\$ 112,142</u>	<u>\$ 213,178</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>JOINT DISASTER SERVICES FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 3,041	\$ 30,071	\$ 31,666	\$ 1,446
Due from other governments	-	16,610	-	16,610
Prepaid expenses	68	-	68	-
Total assets	<u>\$ 3,109</u>	<u>\$ 46,681</u>	<u>\$ 31,734</u>	<u>\$ 18,056</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 503	\$ 679	\$ 503	\$ 679
Salaries and benefits payable	424	509	424	509
Due to other governments	2,182	45,493	30,807	16,868
Total liabilities	<u>\$ 3,109</u>	<u>\$ 46,681</u>	<u>\$ 31,734</u>	<u>\$ 18,056</u>
<b>CITY SPECIAL ASSESSMENTS FUND</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 2,345	\$ 29,689	\$ 28,107	\$ 3,927
Special assessments receivable	3,888	10,703	3,888	10,703
Total assets	<u>\$ 6,233</u>	<u>\$ 40,392</u>	<u>\$ 31,995</u>	<u>\$ 14,630</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 6,233</u>	<u>\$ 40,392</u>	<u>\$ 31,995</u>	<u>\$ 14,630</u>
<b>DRAINAGE DISTRICTS</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 227,144	\$ 301,663	\$ 299,302	\$ 229,505
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	83	234	83	234
Total assets	<u>\$ 452,354</u>	<u>\$ 301,897</u>	<u>\$ 299,385</u>	<u>\$ 454,866</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 5,451	\$ -	\$ 5,451
Due to other governments	452,354	296,446	299,385	449,415
Total liabilities	<u>\$ 452,354</u>	<u>\$ 301,897</u>	<u>\$ 299,385</u>	<u>\$ 454,866</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>FLEXIBLE BENEFITS</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 43,491	\$ 43,491	\$ -
Accounts receivable	584	5,319	584	5,319
Total assets	<u>\$ 584</u>	<u>\$ 48,810</u>	<u>\$ 44,075</u>	<u>\$ 5,319</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 584	\$ 5,319	\$ 584	\$ 5,319
Due to other governments	-	43,491	43,491	-
Total liabilities	<u>\$ 584</u>	<u>\$ 48,810</u>	<u>\$ 44,075</u>	<u>\$ 5,319</u>
<b>COUNTY RECORDER'S ELECTRONIC FEE</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	<u>\$ 176</u>	<u>\$ 2,438</u>	<u>\$ 2,244</u>	<u>\$ 370</u>
<b>LIABILITIES:</b>				
Due to other governments	<u>\$ 176</u>	<u>\$ 2,438</u>	<u>\$ 2,244</u>	<u>\$ 370</u>

(continued)

**LOUISA COUNTY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS**  
**AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Schedule 5**  
**(continued)**

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>TOTAL COMBINED FUNDS</b>				
<b>ASSETS:</b>				
Cash and pooled investments:				
County Treasurer	\$ 1,014,853	\$ 13,880,845	\$ 13,932,130	\$ 963,568
Other County officials	7,509	346,964	351,364	3,109
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	26,269	34,138	26,269	34,138
Succeeding year	10,668,987	11,095,801	10,668,987	11,095,801
Accounts	14,814	24,919	14,814	24,919
Accrued interest	419	345	419	345
Drainage assessments	83	234	83	234
Special assessments	3,888	10,703	3,888	10,703
Due from other governments	-	16,610	-	16,610
Prepaid expenses	75	2,148	75	2,148
	<u>75</u>	<u>2,148</u>	<u>75</u>	<u>2,148</u>
Total assets	<u>\$ 11,962,024</u>	<u>\$ 25,412,707</u>	<u>\$ 24,998,029</u>	<u>\$ 12,376,702</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 4,138	\$ 21,012	\$ 4,138	\$ 21,012
Salaries and benefits payable	3,760	3,325	3,760	3,325
Due to other funds	-	112,055	112,055	-
Due to other governments	11,954,126	25,132,812	24,734,573	12,352,365
Trusts payable	-	143,503	143,503	-
	<u>-</u>	<u>143,503</u>	<u>143,503</u>	<u>-</u>
Total liabilities	<u>\$ 11,962,024</u>	<u>\$ 25,412,707</u>	<u>\$ 24,998,029</u>	<u>\$ 12,376,702</u>

**LOUISA COUNTY**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST SEVEN YEARS**

**Schedule 6**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:							
Property and other County tax	\$ 4,552,144	\$ 4,095,113	\$ 4,062,904	\$ 4,016,081	\$ 3,974,544	\$ 3,565,777	\$ 3,234,444
Interest and penalty on property tax	37,207	44,251	44,075	52,560	53,614	44,767	46,314
Intergovernmental	3,526,956	3,297,773	3,150,350	3,201,525	3,102,126	2,936,091	2,833,171
Licenses and permits	18,288	13,813	23,267	23,495	13,536	6,306	6,835
Charges for service	581,086	550,392	498,654	518,622	543,139	531,469	514,165
Use of money and property	185,435	250,059	200,662	108,758	94,856	74,963	130,236
Miscellaneous	<u>355,467</u>	<u>174,214</u>	<u>139,439</u>	<u>115,537</u>	<u>126,886</u>	<u>176,335</u>	<u>117,765</u>
Total revenues	<u>\$ 9,256,583</u>	<u>\$ 8,425,615</u>	<u>\$ 8,119,351</u>	<u>\$ 8,036,578</u>	<u>\$ 7,908,701</u>	<u>\$ 7,335,708</u>	<u>\$ 6,882,930</u>
Expenditures:							
Operating:							
Public safety and legal services	\$ 1,761,007	\$ 1,655,571	\$ 1,537,041	\$ 1,427,129	\$ 1,395,700	\$ 1,299,527	\$ 1,333,264
Physical health and social services	568,800	524,944	555,735	516,955	500,516	557,905	560,544
Mental health	1,206,049	1,019,139	948,009	972,379	980,403	1,066,924	1,090,925
County environment and education	802,348	769,636	435,290	487,359	412,848	590,961	430,828
Roads and transportation	3,075,632	2,781,601	2,497,345	2,536,698	2,415,685	1,954,414	2,206,303
Governmental services to residents	253,424	269,935	338,758	270,838	242,403	232,307	219,644
Administration	1,012,531	947,402	822,266	749,756	750,025	893,410	801,807
Non-program	118	204	95	-	-	95	452,175
Debt service	277,914	165,061	175,581	71,998	57,940	54,165	53,241
Capital projects	<u>685,925</u>	<u>1,107,875</u>	<u>823,623</u>	<u>797,104</u>	<u>341,914</u>	<u>933,419</u>	<u>1,279,187</u>
Total expenditures	<u>\$ 9,643,748</u>	<u>\$ 9,241,368</u>	<u>\$ 8,133,743</u>	<u>\$ 7,830,216</u>	<u>\$ 7,097,434</u>	<u>\$ 7,583,127</u>	<u>\$ 8,427,918</u>

**INFORMATION PROVIDED TO COMPLY WITH  
*GOVERNMENT AUDITING STANDARDS***

**LOUISA COUNTY**



CPAs & BUSINESS ADVISORS

**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**

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To the Officials of Louisa County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise Louisa County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 20, 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 Louisa 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 our opinion on the effectiveness of Louisa County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisa 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 a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the 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 Louisa 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 Louisa County's financial statements that is more than inconsequential will not be prevented or detected by Louisa County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Louisa County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisa 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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.

Louisa County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the County's responses, we did not audit Louisa County's responses, and accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to the management of Louisa County in a separate letter dated January 20, 2009.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
January 20, 2009

**LOUISA COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2008**

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**Part I: Findings Related to the Basic Financial Statements:**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

I-A-08      Preparation of Financial Statements – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements in accordance with generally accepted accounting principles. This circumstance is not unusual for a governmental entity similar to Louisa County. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

Response – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCIES**

I-B-08      Sheriff's Office – Segregation of Duties – During our review of internal control, 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. Over the past years, the Sheriff's Office has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Sheriff's Office is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, we recommend that the Sheriff's Office should continue to review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review operating procedures.

Conclusion – Response accepted.

**LOUISA COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2008**

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

**SIGNIFICANT DEFICIENCIES (continued)**

I-C-08      Treasurer's Office – Segregation of Duties – During our review of internal control, 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. Over the past years, the Treasurer's Office has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Treasurer's Office is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, we recommend that County officials continue to review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – Our office continues to review operating procedures on a regular basis and does everything in our power to maximize internal control. Accuracy and safety is our number one priority. Without specific recommendations, we will continue to monitor the procedures as much as possible with the staff that we have.

Conclusion – Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-08      Certified Budget – Disbursements during the year ended June 30, 2008, exceeded the amount budgeted in the roads and transportation function.

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.

Response – We will amend the budget when required.

Conclusion – Response accepted.

II-B-08      Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

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

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

**LOUISA COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2008**

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

II-E-08     Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

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

II-G-08     Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

II-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).

II-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, for the County Extension Office exceeded the amount budgeted.

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.

Response – We will amend the budget when required.

Conclusion – Response accepted.

II-J-08     Publication of Disbursements – The County did not publish the reason for the claims, as required by Chapter 349.18 of the Code of Iowa, during parts of fiscal year 2008.

Recommendation – The County should implement procedures to adopt the reporting of disbursements of Chapter 349.18 of the Code of Iowa.

Response – The County will implement the appropriate procedures.

Conclusion – Response accepted.



CPAs & BUSINESS ADVISORS

To the Honorable Chairman and  
Members of the Board of Supervisors  
Louisa County, Iowa  
Wapello, Iowa

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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, for the year ended June 30, 2008, and have issued our report thereon dated January 20, 2009. Professional standards require that we provide you with the following information related to our audit.

## **Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated June 3, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Louisa County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Louisa County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 3, 2008, and in our meeting about planning matters on June 10, 2008.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Louisa County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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To the Honorable Chairman and  
Members of the Board of Supervisors  
Louisa County, Iowa  
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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the depreciable lives. Depreciable lives are based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 20, 2009.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Honorable Chairman and  
Members of the Board of Supervisors  
Louisa County, Iowa  
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*Other Audit Findings or Issues*

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

**Other Comments**

We have included additional comments regarding operations and future accounting pronouncements which will affect the County.

This information, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Louisa County, Iowa, and other parties to whom Louisa County, Iowa, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to Louisa County, Iowa.

Sincerely,

EIDE BAILLY LLP  
CPAs & Business Advisors

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and address.

Dubuque, Iowa  
January 20, 2008

**LOUISA COUNTY, IOWA**  
**YEAR ENDED JUNE 30, 2008**  
**OTHER COMMENTS**

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## **Travel and Expense Reimbursement**

During our review of expense reimbursement to employees, we noted a disbursement with no detail of the travel expenditures being reimbursed. We recommend no travel reimbursements be made without supporting documentation, including a description of the purpose of the trip, documentation of the miles being reimbursed, and detailed cash register receipts.

## **Governmental Accounting Standards Board (GASB)**

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by Louisa County. The statements, which might impact Louisa County, are as follows:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement was effective for the fiscal year ended June 30, 2006.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.