

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

JUNE 30, 2008

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LUCAS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clarence Gee	Board of Supervisors	Jan. 2009
Cathy Reece	Board of Supervisors	Jan. 2009
Larry Davis	Board of Supervisors	Jan. 2011
Julie Masters	County Auditor	Jan. 2009
Phyllis Baker	County Treasurer	Jan. 2011
Treva White	County Recorder	Jan. 2011
Jim Baker	County Sheriff	Jan. 2009
Paul Goldsmith	County Attorney	Jan. 2011
Tim McGee	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County as of June 30, 2008 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2009 on our consideration of Lucas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 6 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lucas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 13, 2009

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

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

### **2008 FINANCIAL HIGHLIGHTS**

- The County's Governmental fund revenues increased \$928,934 from fiscal year 2007 to 2008. Property and other county tax increased \$168,311, intergovernmental revenues increased \$774,623 and other revenues decreased by \$14,000.
  
- The County's Governmental fund expenditures increased \$461,538 from fiscal 2007 to fiscal 2008. Physical Health and Social Services increased \$57,026, Mental Health increased \$41,860, County environment and education increased \$6,858, Governmental Services to residents increased \$2,754, Administration increased \$80,225, and Capital Projects increased \$629,077. Public safety and legal services decreased \$80,144, Roads and Transportation decreased \$95,670, Debt service decreased \$7,300 and Non-program decreased \$173,148.
  
- The County's Governmental Activities net assets increased \$710,852 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 Lucas County as a whole and present an overall view of the County's finances.

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

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

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

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

#### Net Assets of Governmental Activities

	June 30	
	2007	2008
Current and other assets	\$ 5,755,928	\$ 6,294,669
Capital assets	<u>6,959,355</u>	<u>7,387,339</u>
Total Assets	<u>12,715,283</u>	<u>13,682,008</u>
Long-Term liabilities	265,450	226,822
Other Liabilities	<u>3,025,096</u>	<u>3,319,597</u>
Total liabilities	<u>3,290,546</u>	<u>3,546,419</u>
Net Assets:		
Invested in capital assets, net of related debt	6,842,285	7,327,575
Restricted	2,574,553	2,513,404
Unrestricted	<u>7,899</u>	<u>294,610</u>
Total net assets	<u>9,424,737</u>	<u>10,135,589</u>

Net assets of Lucas County’s governmental activities increased by approximately 8% (\$9.42 million compared to \$10.13 million). The largest portion of the County’s net assets is the invested in capital assets net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$294,610 at June 30, 2008.

### Changes in Net Assets of Governmental Activities

	Year Ended June 30	
	2007	2008
Revenues:		
Program Revenues:		
Charges for service	\$ 457,356	\$ 584,026
Operating grants, contributions & restricted interest	2,310,062	2,410,225
Capital grants, contributions, and restricted interest	161,418	742,859
General Revenues:		
Property tax	2,598,386	2,768,275
Penalty and interest on property tax	41,365	40,263
State Tax Credits	178,640	174,432
Payments in lieu of taxes	4,799	2,438
Unrestricted investment earnings	151,310	114,663
Other general revenues	<u>70,279</u>	<u>79,933</u>
Total Revenues	<u>5,973,615</u>	<u>6,917,114</u>
Program Expenses:		
Public Safety and Legal Services	822,957	721,233
Physical health and social services	481,677	533,773
Mental Health	956,545	985,779
County environment and education	205,687	215,331
Roads and transportation	2,765,866	2,627,793
Government services to residents	241,507	245,268
Administration	787,784	872,440
Non-current program	173,148	
Interest on long term debt	7,230	4,645
Total Expenses	<u>6,422,401</u>	<u>6,206,262</u>
Change in Net Assets	(468,786)	710,852

Net assets beginning of year	<u>9,893,523</u>	<u>9,424,737</u>
Net assets end of year	<u>9,424,737</u>	<u>10,135,589</u>

The County increased Levy rates FY2008 by \$.060339 per \$1000.00 valuation. This increase, due to a decrease in rural valuations, was necessary to generate the money needed to maintain county services. Property tax revenue increased from 2007 by approximately \$170,000.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$2.89 million, which is up approximately \$233,000 from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$89,139 over the prior year, mainly due to an increase in property and other county tax revenues. Expenditures decreased \$35,152 due mainly to a decrease in operating expenditures for Public safety and legal services.
- Mental Health Fund revenues increased \$39,685 from the prior year due mainly to an increase in property tax revenues. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$994,969, an increase of \$41,860 from the prior year due mainly to the rising cost of services to clients and an increase in the number of clients served. The Mental Health fund balance at the end of the year decreased \$255,538 from the prior year.
- The Rural Services Fund showed a decrease in revenue. The property and other county taxes, intergovernmental revenues, charges for service and other miscellaneous revenues were all down resulting in a decrease of \$22,766. Expenditures decreased \$72,544 due to a decrease in Public Safety and Administration costs. The Rural Services Fund balance increased by \$13,700 from the prior year.
- Secondary Roads Fund revenues increased by \$780,638 for the year due to the new highway planning and construction grants received. Expenditures in Roads and transportation decreased by \$98,290 and Capital project expenditures increased by \$641,298. The ending fund balance showed an increase of \$298,175 from last year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Lucas County amended its budget 1 time. The amendment was necessary for various reasons including a CDBG grant and FEMA money and increases in district court revenues and sheriffs fees collected. Decreases in expenditures are mainly due to a decrease in board and lodging for the Sheriff's department. Non-Program current expenditures decreased since Lucas County is no longer the agent for the USDA Hospital loan. These decreases offset increases in expenditures due to higher costs of services to residents and CDBG grant administrative fees. Disbursements did not exceed the amount budgeted in any County function for fiscal year ending 08.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, Lucas County had approximately \$7.39 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

	Balance	
	June 30, 2007	June 30, 2008
Governmental activities		
Capital assets not being depreciated:		
Land	\$ 659,457	\$ 712,457
Construction in progress	75,037	342,896
Total Capital assets not being depreciated	<u>734,494</u>	<u>1,055,353</u>
Capital assets being depreciated:		
Buildings	\$ 676,414	676,414
Machinery and equipment	3,550,240	3,652,212
Infrastructure	5,021,951	5,526,872
Total Capital assets being depreciated	<u>9,248,605</u>	<u>9,855,498</u>
Less accumulated depreciation for:		
Buildings	156,634	173,006
Machinery and equipment	2,078,516	2,259,578
Infrastructure	788,594	1,090,928
Total Accumulated depreciation	<u>3,023,744</u>	<u>3,523,512</u>
Total Capital Assets being depreciated, net	<u>6,224,861</u>	<u>6,331,986</u>
Governmental activities capital assets, net	<u>6,959,355</u>	<u>7,387,339</u>

The County had depreciation expense of \$513,718, in FY 2008 and total accumulated depreciation of \$3,523,512 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Liabilities

At June 30, 2008 Lucas County had \$167,508 in compensated absences as compared to approximately \$148,380 on June 30, 2007, and a Decrease of \$57,306 in General Obligation Notes with \$59,764 due within 1 year. The General Obligation Note was to pay a portion to the cost of making repairs to the Courthouse roof, installing handicapped accessible doors at the Courthouse and acquiring equipment for use at the courthouse. During the prior year, the General Supplemental Fund loaned the General Basic Fund \$200,000 to help temporarily finance operating expenses. The Loan will be paid back with interest in four equal annual installments. The balance of the loan on June 30, 2008 was \$100,250. More detailed information can be found in Note 7 to the financial statements.

### **Short -Term Debt Activity**

During the year ended June 30, 2008 the county entered into a general obligation note to purchase radio equipment for the County Law Center. Further information is detailed in Note 8 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Lucas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and the fees that will be charged for various County activities. In an ongoing effort to maintain County services with the least possible increase to tax levies, the Lucas County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances, and reducing funding to non-mandated programs to provide essential services for the citizens of Lucas County.

Budgeted disbursements in the FY 2009 operating budget are \$9,122,882, an increase of approximately 1.4% over the final FY 2008 budget. Lucas County has spent down fund balances to finance programs currently offered due to the effect inflation has on program costs. Increases in costs related to Physical Health and Social services, Mental Health Services, Insurance premiums, heating and electric costs, maintenance on building and contents were a large portion of the increased expenses. Lucas County has added no major programs to the FY 2009 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

## Basic Financial Statements

LUCAS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,595,569
Receivables:	
Property tax:	
Delinquent	20,333
Succeeding year	2,986,000
Interest and penalty on property tax	43,912
Accounts	5,367
Accrued interest	3,121
Due from other governments	439,135
Contract receivable (note 4)	16,698
Inventories	184,534
Capital assets, net of accumulated depreciation (note 5)	<u>7,387,339</u>
 Total assets	 <u>13,682,008</u>
Liabilities	
Accounts payable	188,518
Salaries and benefits payable	31,608
Due to other governments (note 6)	113,275
Accrued interest payable	196
Deferred revenue:	
Succeeding year property tax	2,986,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation notes	59,764
Compensated absences	<u>167,058</u>
 Total liabilities	 <u>3,546,419</u>

LUCAS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 7,327,575
Restricted for:	
Supplemental levy purposes	400,281
Mental health purposes	129,699
Rural services	146,307
Secondary roads	1,556,431
Debt service	6,540
Cemetery levy	7,378
Capital projects	1,829
Other special revenue purposes	264,939
Unrestricted	<u>294,610</u>
Total net assets	<u><u>\$ 10,135,589</u></u>

See notes to financial statements.

LUCAS COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 721,233	\$ 130,366	\$ 405	\$ 16,456	\$ (574,006)
Physical health and social services	533,773	129,065	196,502	-	(208,206)
Mental health	985,779	10,020	350,457	-	(625,302)
County environment and education	215,331	28,817	43,172	-	(143,342)
Roads and transportation	2,627,793	117,439	1,817,884	721,148	28,678
Government services to residents	245,268	161,241	575	-	(83,452)
Administration	872,440	7,078	-	5,255	(860,107)
Interest on long-term debt	4,645	-	1,230	-	(3,415)
Total	<u>\$ 6,206,262</u>	<u>\$ 584,026</u>	<u>\$ 2,410,225</u>	<u>\$ 742,859</u>	<u>(2,469,152)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,670,959
Debt service					97,316
Penalty and interest on property tax					40,263
State tax credits					174,432
Payments in lieu of taxes					2,438
Unrestricted investment earnings					114,663
Miscellaneous					<u>79,933</u>
Total general revenues					<u>3,180,004</u>
Change in net assets					710,852
Net assets beginning of year					<u>9,424,737</u>
Net assets end of year					<u>\$ 10,135,589</u>

See notes to financial statements.

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LUCAS COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 712,635	\$ 258,905	\$ 166,662	\$ 1,186,215
Receivables:				
Property tax:				
Delinquent	13,628	2,997	2,895	-
Succeeding year	1,710,000	417,000	759,000	-
Interest and penalty on property tax	43,912	-	-	-
Accounts	4,899	286	-	-
Accrued interest	1,678	-	-	-
Due from other governments	32,573	-	-	406,562
Contract receivable (note 4)	-	-	-	16,698
Inventories	-	-	-	184,534
Total assets	<u>\$ 2,519,325</u>	<u>\$ 679,188</u>	<u>\$ 928,557</u>	<u>\$ 1,794,009</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 271,152	\$ 2,595,569
813	20,333
100,000	2,986,000
-	43,912
182	5,367
1,443	3,121
-	439,135
-	16,698
-	184,534
<u>\$ 373,590</u>	<u>\$ 6,294,669</u>

LUCAS COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 49,448	\$ 45,272	\$ 597	\$ 93,115
Salaries and benefits payable	12,941	262	2,684	15,721
Due to other governments (note 6)	13,883	83,141	-	16,251
Deferred revenue:				
Succeeding year property tax	1,710,000	417,000	759,000	-
Other	57,540	2,997	2,895	16,698
Total liabilities	<u>1,843,812</u>	<u>548,672</u>	<u>765,176</u>	<u>141,785</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	184,534
Supplemental levy purposes	384,772	-	17,552	-
Debt service	-	-	-	-
Cemetery levy	7,378	-	-	-
Unreserved, reported in:				
General fund	283,363	-	-	-
Special revenue funds	-	130,516	145,829	1,467,690
Capital projects fund	-	-	-	-
Total fund balances	<u>675,513</u>	<u>130,516</u>	<u>163,381</u>	<u>1,652,224</u>
Total liabilities and fund balances	<u>\$ 2,519,325</u>	<u>\$ 679,188</u>	<u>\$ 928,557</u>	<u>\$ 1,794,009</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 86	\$ 188,518
-	31,608
-	113,275
100,000	2,986,000
813	80,943
<u>100,899</u>	<u>3,400,344</u>
-	184,534
-	402,324
5,923	5,923
-	7,378
-	283,363
264,939	2,008,974
1,829	1,829
<u>272,691</u>	<u>2,894,325</u>
<u>\$ 373,590</u>	<u>\$ 6,294,669</u>

## LUCAS COUNTY

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

Total fund balances of governmental funds	\$ 2,894,325
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$10,910,851 and the accumulated depreciation is \$3,523,512.	7,387,339
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	80,943
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(196)
Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(226,822)</u>
Net assets of governmental activities	<u>\$ 10,135,589</u>

See notes to financial statements.

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LUCAS COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 1,617,360	\$ 355,655	\$ 693,290	\$ -
Interest and penalty on property tax	31,048	-	-	-
Intergovernmental	486,465	373,756	41,290	2,539,032
Licenses and permits	50	-	-	1,070
Charges for service	225,622	10,020	12,415	-
Use of money and property	115,182	-	-	-
Miscellaneous	54,764	-	-	119,402
<b>Total revenues</b>	<b>2,530,491</b>	<b>739,431</b>	<b>746,995</b>	<b>2,659,504</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	673,810	-	44,624	-
Physical health and social services	518,042	-	24,950	-
Mental health	-	994,969	-	-
County environment and education	131,461	-	45,731	-
Roads and transportation	-	-	177,554	2,041,405
Government services to residents	224,878	-	1,840	-
Administration	846,189	-	-	-
Debt service	375	-	-	-
Capital projects	-	-	-	787,996
<b>Total expenditures</b>	<b>2,394,755</b>	<b>994,969</b>	<b>294,699</b>	<b>2,829,401</b>
Excess (deficiency) of revenues over (under) expenditures	135,736	(255,538)	452,296	(169,897)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	-	-	-	468,072
Interfund transfers out (note 3)	(29,476)	-	(438,596)	-
General obligation notes issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(29,476)</b>	<b>-</b>	<b>(438,596)</b>	<b>468,072</b>
Net change in fund balances	106,260	(255,538)	13,700	298,175
Fund balances beginning of year	569,253	386,054	149,681	1,354,049
Fund balances end of year	\$ 675,513	\$ 130,516	\$ 163,381	\$ 1,652,224

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 97,206	\$	2,763,511
-		31,048
39,700		3,480,243
-		1,120
12,852		260,909
20,512		135,694
43,020		217,186
<u>213,290</u>		<u>6,889,711</u>
499		718,933
-		542,992
-		994,969
2,132		179,324
-		2,218,959
1,466		228,184
4,629		850,818
104,765		105,140
72,292		860,288
<u>185,783</u>		<u>6,699,607</u>
<u>27,507</u>		<u>190,104</u>
-		468,072
-		(468,072)
43,000		43,000
<u>43,000</u>		<u>43,000</u>
70,507		233,104
<u>202,184</u>		<u>2,661,221</u>
<u>\$ 272,691</u>	<u>\$</u>	<u>2,894,325</u>

## LUCAS COUNTY

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

Net change in fund balances - total governmental funds \$ 233,104

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

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

	\$	925,246	
Expenditures for capital assets		16,456	
Capital assets contributed by the State of Iowa		(513,718)	
Depreciation expense		<u>427,984</u>	427,984

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:

		4,765	
Property tax		6,182	
Other		<u>10,947</u>	10,947

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (43,000)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 100,306

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:

		(18,678)	
Compensated absences		189	
Interest on long-term debt		<u>(18,489)</u>	(18,489)

Change in net assets of governmental activities \$ 710,852

See notes to financial statements.

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

Assets	
Cash and pooled investments:	
County Treasurer	\$ 519,918
Other County officials	45,734
Receivables:	
Property tax:	
Delinquent	57,498
Succeeding year	6,278,000
Accounts	11,105
Accrued interest	196
Due from other governments	<u>5,742</u>
Total assets	<u>\$ 6,918,193</u>
Liabilities	
Accounts payable	\$ 5,558
Due to other governments (note 6)	6,835,407
Trusts payable	57,764
Compensated absences	<u>19,464</u>
Total liabilities	<u>\$ 6,918,193</u>

See notes to financial statements.

## LUCAS COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

#### Note 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

For financial reporting purposes, Lucas County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Lucas County has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	30,000
Equipment and vehicles	10,000

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

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$2,513,404.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in one department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 2. Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,595,018 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 29,476
	Special Revenue: Rural Services	<u>438,596</u>
		<u>\$ 468,072</u>

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 4. Contract Receivable – Secondary Roads

As of June 30, 2008, the County has a long-term interest-free contract receivable from the City of Russell for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Russell</u>
2009	\$ 3,033
2010	3,033
2011	3,033
2012	3,033
2013	3,033
2014	<u>1,533</u>
	<u>\$ 16,698</u>

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 659,457	\$ 53,000	\$ -	\$ 712,457
Construction in progress	75,037	772,780	504,921	342,896
Total capital assets not being depreciated	<u>734,494</u>	<u>825,780</u>	<u>504,921</u>	<u>1,055,353</u>
Capital assets being depreciated:				
Buildings	676,414	-	-	676,414
Machinery and equipment	3,550,240	115,922	13,950	3,652,212
Infrastructure	5,021,951	504,921	-	5,526,872
Total capital assets being depreciated	<u>9,248,605</u>	<u>620,843</u>	<u>13,950</u>	<u>9,855,498</u>
Less accumulated depreciation for:				
Buildings	156,634	16,372	-	173,006
Machinery and equipment	2,078,516	195,012	13,950	2,259,578
Infrastructure	788,594	302,334	-	1,090,928
Total accumulated depreciation	<u>3,023,744</u>	<u>513,718</u>	<u>13,950</u>	<u>3,523,512</u>
Total capital assets being depreciated, net	<u>6,224,861</u>	<u>107,125</u>	<u>-</u>	<u>6,331,986</u>
Governmental activities capital assets, net	<u>\$ 6,959,355</u>	<u>\$ 932,905</u>	<u>\$ 504,921</u>	<u>\$ 7,387,339</u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 22,634
Mental health	11,075
County environment and education	7,634
Roads and transportation	444,284
Government services to residents	16,124
Administration	<u>11,967</u>

Total depreciation expense - governmental activities	<u><u>\$ 513,718</u></u>
--	--------------------------

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 13,883
Special Revenue:		
Mental Health	Services	83,141
Secondary Roads		<u>16,251</u>
Total for governmental funds		<u><u>\$ 113,275</u></u>
Agency:		
County Assessor	Collections	\$ 222,419
Schools		3,702,330
Community Colleges		207,155
Corporations		1,549,017
County Hospital		650,672
Auto License and Use Tax		147,791
E-911		156,239
All Other		<u>199,784</u>
Total for agency funds		<u><u>\$ 6,835,407</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities

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

	General Obligation Notes	Compensated Absences	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Balance beginning of year	\$ 117,070	\$ 148,380	\$ 265,450
Increases	-	167,058	167,058
Decreases	57,306	148,380	205,686
	<u>          </u>	<u>          </u>	<u>          </u>
Balance end of year	<u>\$ 59,764</u>	<u>\$ 167,058</u>	<u>\$ 226,822</u>
Due within one year	<u>\$ 59,764</u>	<u>\$ 167,058</u>	<u>\$ 226,822</u>

General Obligation Notes Payable

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

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
2009	3.95 %	\$ <u>59,764</u>	\$ <u>1,771</u>	\$ <u>61,535</u>

Non-current Interfund Loan

During the year ended June 30, 2006, the General Supplemental Fund loaned the General Basic \$200,000 to help temporarily finance operating expenses. The loan will be paid back to the General Supplemental Fund in four equal annual payments including interest at .25%. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements. The balance as of June 30, 2008 was \$100,250.

Note 8. Short-Term Debt Activity

On March 5, 2008, the County issued \$43,000 of general obligation notes to purchase radio equipment for the County Law Center. The note included interest at 5.42% and was repaid during the year.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 8. Short-Term Debt Activity (continued)

A summary of the short-term debt activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Received	Repaid	Balance End of Year
General obligation note	\$ -	\$ 43,000	\$ 43,000	\$ -

Note 9. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$135,220, \$130,692 and \$127,291, respectively, equal to the required contributions for each year.

Note 10. Risk Management

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

Note 11. Construction Commitment

The County has entered into contracts totaling \$865,049 for bridge construction. As of June 30, 2008, costs of \$590,184 have been incurred against the contracts. The balance remaining at June 30, 2008 of \$274,865 will be paid as work on the projects progresses.

Note 12. Subsequent Events

In July 2008, the County issued \$185,000 of general obligation notes to pay the cost of equipment for the County computer system. The notes are payable through the year ending June 30, 2013 with an interest rate of 4.80%.

In September 2008, the County issued a \$225,000 general obligation local option sales tax bond anticipation project note to pay a portion of the cost of relocating and renovating the Lucas County Law Center. The note will mature in September 2009 and includes interest at a rate equal to the prevailing New York Prime Rate, but no less than 4.50%.

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Required Supplementary Information

LUCAS COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2008

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 2,763,510	\$ 2,793,257	\$ 2,793,257	\$ (29,747)
Interest and penalty on property tax	31,048	50	50	30,998
Intergovernmental	3,265,170	4,258,416	4,339,130	(1,073,960)
Licenses and permits	1,120	450	450	670
Charges for service	267,959	241,072	267,372	587
Use of money and property	146,861	106,991	119,991	26,870
Miscellaneous	221,756	299,344	325,937	(104,181)
Total receipts	<u>6,697,424</u>	<u>7,699,580</u>	<u>7,846,187</u>	<u>(1,148,763)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	713,367	929,439	883,002	169,635
Physical health and social services	516,248	550,146	577,793	61,545
Mental health	974,839	1,155,268	1,167,071	192,232
County environment and education	179,987	221,512	382,311	202,324
Roads and transportation	2,195,882	2,597,251	2,597,251	401,369
Government services to residents	227,605	289,129	293,281	65,676
Administration	854,972	878,848	902,230	47,258
Non-program	-	173,148	-	-
Debt service	105,140	107,914	107,914	2,774
Capital projects	851,685	2,090,000	2,083,000	1,231,315
Total disbursements	<u>6,619,725</u>	<u>8,992,655</u>	<u>8,993,853</u>	<u>2,374,128</u>
Excess (deficiency) of receipts over (under) disbursements	77,699	(1,293,075)	(1,147,666)	1,225,365
Other financing sources, net	43,000	104,038	74,404	(31,404)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	120,699	(1,189,037)	(1,073,262)	1,193,961
Balance beginning of year	<u>2,474,870</u>	<u>1,645,650</u>	<u>2,474,868</u>	<u>2</u>
Balance end of year	<u>\$ 2,595,569</u>	<u>\$ 456,613</u>	<u>\$ 1,401,606</u>	<u>\$ 1,193,963</u>

See accompanying independent auditor's report.

LUCAS COUNTY

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,697,424	\$ 192,287	\$ 6,889,711
Expenditures	6,619,725	79,882	6,699,607
Net	77,699	112,405	190,104
Other financing sources, net	43,000	-	43,000
Beginning fund balances	2,474,870	186,351	2,661,221
Ending fund balances	<u>\$ 2,595,569</u>	<u>\$ 298,756</u>	<u>\$ 2,894,325</u>

See accompanying independent auditor's report.

## LUCAS COUNTY

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

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,198. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in one department exceeded the amount appropriated.

Other Supplementary Information

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

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement
<b>Assets</b>				
Cash and pooled investments	\$ 26,917	\$ 85,926	\$ 62,169	\$ 37,305
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	182	-	-	-
Accrued interest	47	153	-	-
	<u>27,146</u>	<u>86,079</u>	<u>62,169</u>	<u>37,305</u>
<b>Total assets</b>	<b>\$ <u>27,146</u></b>	<b>\$ <u>86,079</u></b>	<b>\$ <u>62,169</u></b>	<b>\$ <u>37,305</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	-	86	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>86</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	-	-
Unreserved	27,146	85,993	62,169	37,305
Total fund balances	<u>27,146</u>	<u>85,993</u>	<u>62,169</u>	<u>37,305</u>
<b>Total liabilities and fund balances</b>	<b>\$ <u>27,146</u></b>	<b>\$ <u>86,079</u></b>	<b>\$ <u>62,169</u></b>	<b>\$ <u>37,305</u></b>

See accompanying independent auditor's report.

<u>Construction Donation</u>	<u>Landfill Equipment</u>	<u>Education Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 7,491	\$ 18,547	\$ 26,275	\$ 4,693	\$ 1,829	\$ 271,152
-	-	-	813	-	813
-	-	-	100,000	-	100,000
-	-	-	-	-	182
13	-	-	1,230	-	1,443
<u>\$ 7,504</u>	<u>\$ 18,547</u>	<u>\$ 26,275</u>	<u>\$ 106,736</u>	<u>\$ 1,829</u>	<u>\$ 373,590</u>
\$ -	\$ -	\$ -	\$ -	\$ -	86
-	-	-	100,000	-	100,000
-	-	-	813	-	813
-	-	-	100,813	-	100,899
-	-	-	5,923	-	5,923
7,504	18,547	26,275	-	1,829	266,768
<u>7,504</u>	<u>18,547</u>	<u>26,275</u>	<u>5,923</u>	<u>1,829</u>	<u>272,691</u>
<u>\$ 7,504</u>	<u>\$ 18,547</u>	<u>\$ 26,275</u>	<u>\$ 106,736</u>	<u>\$ 1,829</u>	<u>\$ 373,590</u>

LUCAS COUNTY

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

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	24,377	8,994	-
Charges for service	2,051	-	-	10,801
Use of money and property	575	2,255	13,681	-
Miscellaneous	-	1,208	5,653	-
Total revenues	<u>2,626</u>	<u>27,840</u>	<u>28,328</u>	<u>10,801</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	499
County environment and education	-	2,132	-	-
Government services to residents Administration	1,466	-	-	-
Debt service	-	-	-	-
Capital projects	-	7,950	21,728	-
Total expenditures	<u>1,466</u>	<u>10,082</u>	<u>21,728</u>	<u>499</u>
Excess (deficiency) of revenues over (under) expenditures	1,160	17,758	6,600	10,302
Other financing sources:				
General obligation notes issued	-	-	-	-
Net change in fund balances	1,160	17,758	6,600	10,302
Fund balances beginning of year	<u>25,986</u>	<u>68,235</u>	<u>55,569</u>	<u>27,003</u>
Fund balances end of year	<u>\$ 27,146</u>	<u>\$ 85,993</u>	<u>\$ 62,169</u>	<u>\$ 37,305</u>

See accompanying independent auditor's report.

<u>Construction Donation</u>	<u>Landfill Equipment</u>	<u>Education Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 97,206	\$ -	\$ 97,206
-	-	-	6,329	-	39,700
-	-	-	-	-	12,852
50	2,721	-	1,230	-	20,512
5,255	-	30,904	-	-	43,020
<u>5,305</u>	<u>2,721</u>	<u>30,904</u>	<u>104,765</u>	<u>-</u>	<u>213,290</u>
-	-	-	-	-	499
-	-	-	-	-	2,132
-	-	-	-	-	1,466
-	-	4,629	-	-	4,629
-	-	-	104,765	-	104,765
-	-	-	-	42,614	72,292
-	-	4,629	104,765	42,614	185,783
5,305	2,721	26,275	-	(42,614)	27,507
-	-	-	-	43,000	43,000
5,305	2,721	26,275	-	386	70,507
2,199	15,826	-	5,923	1,443	202,184
<u>\$ 7,504</u>	<u>\$ 18,547</u>	<u>\$ 26,275</u>	<u>\$ 5,923</u>	<u>\$ 1,829</u>	<u>\$ 272,691</u>

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

	County Offices			Agricultural
	County Recorder	County Sheriff	Public Health	Extension Education
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	908
Other County officials	5,378	24,399	15,957	-
Receivables:				
Property tax:				
Delinquent	-	-	-	391
Succeeding year	-	-	-	49,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>5,378</u>	\$ <u>24,399</u>	\$ <u>15,957</u>	\$ <u>50,299</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,228	\$ -	\$ -	-
Due to other governments	150	-	-	50,299
Trusts payable	-	24,399	15,957	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>5,378</u>	\$ <u>24,399</u>	\$ <u>15,957</u>	\$ <u>50,299</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 83,758	\$ 65,135	\$ 3,618	\$ 45,763	\$ 2,833	\$ 11,658	\$ 51
-	-	-	-	-	-	-
1,268	27,195	1,537	21,254	832	5,014	7
157,000	3,610,000	202,000	1,482,000	143,000	634,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 242,026</u>	<u>\$ 3,702,330</u>	<u>\$ 207,155</u>	<u>\$ 1,549,017</u>	<u>\$ 146,665</u>	<u>\$ 650,672</u>	<u>\$ 1,058</u>
\$ 143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
222,419	3,702,330	207,155	1,549,017	146,665	650,672	1,058
-	-	-	-	-	-	-
19,464	-	-	-	-	-	-
<u>\$ 242,026</u>	<u>\$ 3,702,330</u>	<u>\$ 207,155</u>	<u>\$ 1,549,017</u>	<u>\$ 146,665</u>	<u>\$ 650,672</u>	<u>\$ 1,058</u>

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
 ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 147,791	\$ 9	\$ 139,571	\$ 1,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	10,923	-
Accrued interest	-	-	190	-
Due from other governments	-	-	5,742	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 147,791</u>	<u>\$ 9</u>	<u>\$ 156,426</u>	<u>\$ 1,265</u>
 LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 187	\$ -
Due to other governments	147,791	9	156,239	1,265
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 147,791</u>	<u>\$ 9</u>	<u>\$ 156,426</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 6,570	\$ 10,838	\$ 150	\$ 519,918
-	-	-	45,734
-	-	-	57,498
-	-	-	6,278,000
-	-	182	11,105
-	-	6	196
-	-	-	5,742
<u>\$ 6,570</u>	<u>\$ 10,838</u>	<u>\$ 338</u>	<u>\$ 6,918,193</u>
\$ -	\$ -	\$ -	5,558
-	-	338	6,835,407
6,570	10,838	-	57,764
-	-	-	19,464
<u>\$ 6,570</u>	<u>\$ 10,838</u>	<u>\$ 338</u>	<u>\$ 6,918,193</u>

LUCAS COUNTY

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

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 5,546	\$ 21,937	\$ 17,943	\$ 47,408
Additions:				
Property and other County tax	-	-	-	49,412
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	3,036
Payments in lieu of taxes	-	-	-	-
Office fees and collections	134,898	46,287	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	81,357	10,175	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	134,898	127,644	10,175	52,448
Deductions:				
Agency remittances:				
To other funds	71,818	46,287	-	-
To other governments	63,248	267	-	49,557
Trusts paid out	-	78,628	12,161	-
Total deductions	135,066	125,182	12,161	49,557
Balances end of year	\$ 5,378	\$ 24,399	\$ 15,957	\$ 50,299

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 212,471	\$ 3,390,973	\$ 191,076	\$ 1,514,035	\$ 145,177	\$ 615,083	\$ 1,053
156,758	3,606,940	201,379	1,458,511	142,061	632,885	802
-	-	-	-	-	-	-
9,745	214,951	11,956	100,136	8,726	38,528	52
116	3,084	144	-	246	457	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
708	-	-	-	-	-	-
<u>167,327</u>	<u>3,824,975</u>	<u>213,479</u>	<u>1,558,647</u>	<u>151,033</u>	<u>671,870</u>	<u>854</u>
-	-	-	-	-	-	-
137,772	3,513,618	197,400	1,523,665	149,545	636,281	849
-	-	-	-	-	-	-
<u>137,772</u>	<u>3,513,618</u>	<u>197,400</u>	<u>1,523,665</u>	<u>149,545</u>	<u>636,281</u>	<u>849</u>
\$ <u>242,026</u>	\$ <u>3,702,330</u>	\$ <u>207,155</u>	\$ <u>1,549,017</u>	\$ <u>146,665</u>	\$ <u>650,672</u>	\$ <u>1,058</u>

LUCAS COUNTY

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 144,478	\$ 4	\$ 147,769	\$ 1,265
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	69,704	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,892,910	-	-	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	61	2,752	11,500
Total additions	<u>1,892,910</u>	<u>61</u>	<u>72,456</u>	<u>11,500</u>
Deductions:				
Agency remittances:				
To other funds	100,371	-	-	-
To other governments	1,789,226	56	63,799	11,500
Trusts paid out	-	-	-	-
Total deductions	<u>1,889,597</u>	<u>56</u>	<u>63,799</u>	<u>11,500</u>
Balances end of year	<u>\$ 147,791</u>	<u>\$ 9</u>	<u>\$ 156,426</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 168	\$ 6,115	\$ 2,394	\$ 349	\$ 6,465,244
-	-	-	-	6,248,748
-	-	-	-	69,704
-	-	-	-	387,130
-	-	-	-	4,047
-	-	-	2,051	183,236
-	-	-	-	1,892,910
-	8,110	139,313	-	238,955
26,312	-	-	-	26,312
-	-	-	6	15,027
<u>26,312</u>	<u>8,110</u>	<u>139,313</u>	<u>2,057</u>	<u>9,066,069</u>
-	-	-	-	218,476
26,480	-	-	2,068	8,165,331
-	7,655	130,869	-	229,313
<u>26,480</u>	<u>7,655</u>	<u>130,869</u>	<u>2,068</u>	<u>8,613,120</u>
<u>\$ -</u>	<u>\$ 6,570</u>	<u>\$ 10,838</u>	<u>\$ 338</u>	<u>\$ 6,918,193</u>

## LUCAS COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property and other County tax	\$ 2,763,511	\$ 2,595,200	\$ 2,570,552	\$ 2,237,851
Interest and penalty on property tax	31,048	30,623	32,950	29,974
Intergovernmental	3,480,243	2,705,620	3,013,759	2,825,372
Licenses and permits	1,120	330	570	530
Charges for service	260,909	243,732	243,642	241,211
Use of money and property	135,694	174,241	148,062	87,911
Miscellaneous	217,186	211,031	292,174	178,076
<b>Total</b>	<b>\$ 6,889,711</b>	<b>\$ 5,960,777</b>	<b>\$ 6,301,709</b>	<b>\$ 5,600,925</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 718,933	\$ 799,077	\$ 899,540	\$ 850,361
Physical health and social services	542,992	485,966	468,710	475,374
Mental health	994,969	953,109	797,690	716,400
County environment and education services	179,324	172,466	191,722	205,009
Roads and transportation	2,218,959	2,314,629	2,640,561	2,243,217
Governmental services to residents	228,184	225,430	296,268	207,029
Administrative services	850,818	770,593	716,880	703,562
Non-program	-	173,148	-	-
Debt service	105,140	112,440	61,363	46,133
Capital projects	860,288	231,211	945,452	597,525
<b>Total</b>	<b>\$ 6,699,607</b>	<b>\$ 6,238,069</b>	<b>\$ 7,018,186</b>	<b>\$ 6,044,610</b>

See accompanying independent auditor's report.

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

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 08	\$ <u>3,168</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO59(41) and 59(42)	274,317
Highway Planning and Construction	20.205	BROS CO59(36)	130,803
Highway Planning and Construction	20.205	BROS CO59(37)	<u>197,830</u>
			<u>602,950</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1737-IA	<u>156,131</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 08	<u>3,447</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 08	<u>836</u>
Foster Care - Title IV-E	93.658	FY 08	<u>2,016</u>
Adoption Assistance	93.659	FY 08	<u>479</u>
State Children's Insurance Program	93.767	FY 08	<u>29</u>
Medical Assistance Program	93.778	FY 08	<u>4,386</u>
Social Services Block Grant	93.667	FY 08	<u>2,262</u>
Social Services Block Grant	93.667	FY 08	<u>55,437</u>
			<u>57,699</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	5887I450	1,983
Immunization Grants	93.268	5888I450	<u>924</u>
			<u>2,907</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5888NB17	<u>2,965</u>
Total			\$ <u><u>837,013</u></u>

LUCAS COUNTY

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

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 13, 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 Lucas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lucas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lucas County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lucas County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Lucas County's financial statements that is more than inconsequential will not be prevented or detected by Lucas County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lucas County and other parties to whom Lucas County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa  
March 13, 2009

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

To the Officials of Lucas County:

Compliance

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

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

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

Internal Control Over Compliance

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

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

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lucas County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lucas County and other parties to whom Lucas County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 13, 2009

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lucas County did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties

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

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

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

Responses –

County Ag Extension – Our new fiscal policy addresses periodic checks in those areas where segregation of duties is not possible because of limited personnel.

County Recorder – With only two people in the office at times, it’s difficult to share obligations. I’ll continue to strive towards that direction. We will look into having the Auditor’s office review our monthly bank reconciliation.

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

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

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

SIGNIFICANT DEFICIENCIES (continued):

II-A-08 Segregation of Duties (continued)

Responses (continued)

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

Conclusion – Responses accepted.

II-B-08 Financial Reporting – During the audit, we identified material amounts of receivables not recorded by the County and material differences in depreciation expense for capital assets. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County's financial statements and that capital asset depreciation is properly calculated.

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

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction  
Federal Award Year: 2008  
U.S. Department of Transportation  
Passed through the Iowa Department of Transportation

III-A-08 Financial Reporting – During the audit, we identified material amounts of receivables not recorded by the County. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County’s financial statements.

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

Conclusion – Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any County function. However, disbursements in the local health department exceeded the amount appropriated.

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

Response – Appropriations will be watched more closely by the departments in the future.

Conclusion – Response accepted.

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

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

IV-D-08 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Description	Amount
Cathy Reece, Supervisor Owner of Reece Enterprises	Automotive parts	\$1,754

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with the County Supervisor appear to represent a conflict of interest since they exceed the \$1,500 limit allowed by Chapter 331.342 of the Code of Iowa.

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

Response – We will consult the County Attorney about this.

Conclusion – Response accepted.

IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

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

LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

- IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

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

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

Response – We will make sure that all minutes are properly signed and that all receipts are deposited timely. As of January 2008, all minutes are now being signed.

Conclusion – Response accepted.