

CLARKE COUNTY

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

JUNE 30, 2009

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2009
Donald Reasoner	Board of Supervisors	Jan. 2009
Judy Church	County Auditor	Jan. 2009
Kim Reynolds	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2009
Ronald L. Wheeler	County Attorney	Jan. 2011
Walt Paschell	County Assessor	Jan. 2010
(After January 2009)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Kim Reynolds	County Treasurer	(Resigned Jan. 1, 2009)
Debbie Lynn	County Treasurer	(Appointed Jan. 12, 2009) Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2013
Ronald L. Wheeler	County Attorney	Jan. 2011
Walt Paschell	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clarke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 on our consideration of Clarke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

The Budgetary Comparison Information on pages 44 through 46 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 12, 2010

## Basic Financial Statements

CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,784,453
Receivables:	
Property tax:	
Delinquent	37,025
Succeeding year	3,516,000
Interest and penalty on property tax	217,083
Accounts	89,685
Accrued interest	6,690
Due from other governments	265,428
Inventories	181,520
Prepaid expenses	106,687
Capital assets, net of accumulated depreciation (note 4)	<u>14,490,747</u>
 Total assets	 <u>20,695,318</u>
Liabilities	
Accounts payable	227,462
Salaries and benefits payable	89,691
Due to other governments (note 5)	178,154
Accrued interest payable	41,646
Deferred revenue:	
Succeeding year property tax	3,516,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Capital loan notes	170,000
Real estate purchase agreement	20,021
Child care center revenue notes	6,510
Promissory note	19,744
Capital lease purchase agreements	67,626
Line of credit payable	12,048
Compensated absences	166,988
Portion due or payable after one year:	
Capital loan notes	740,000
Child care center revenue notes	520,271
Promissory note	42,198
Capital lease purchase agreements	<u>417,139</u>
 Total liabilities	 <u>6,235,498</u>

CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 12,579,766
Restricted for:	
Supplemental levy purposes	403,434
Rural services	202,581
Secondary roads	450,800
Debt service	41,699
Capital projects	17,383
Other special revenue purposes	272,870
Inmate room and board	55,414
Unrestricted	<u>435,873</u>
Total net assets	<u>\$ 14,459,820</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,951,186	\$ 371,982	\$ 317	\$ -	(1,578,887)
Physical health and social services	1,101,153	129,855	352,753	11,000	(607,545)
Mental health	1,021,859	1,249	650,125	-	(370,485)
County environment and education	270,867	17,670	15,702	-	(237,495)
Roads and transportation	3,056,380	224,122	2,004,144	732,785	(95,329)
Government services to residents	359,766	152,059	-	-	(207,707)
Administration	805,312	15,608	-	-	(789,704)
Interest on long-term debt	62,204	-	108,304	-	46,100
<b>Total</b>	<b>\$ 8,628,727</b>	<b>\$ 912,545</b>	<b>\$ 3,131,345</b>	<b>\$ 743,785</b>	<b>(3,841,052)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,066,367
Debt service					103,115
Penalty and interest on property tax					71,149
State tax credits					147,061
Local option sales and services tax					31,671
Gaming tax					260,872
Unrestricted investment earnings					58,374
<b>Total general revenues</b>					<b>3,738,609</b>
Change in net assets					(102,443)
Net assets beginning of year					14,562,263
Net assets end of year					<b>\$ 14,459,820</b>

See notes to financial statements.

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CLARKE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 526,857	\$ 196,836	\$ 258,497	\$ 262,564
Receivables:				
Property tax:				
Delinquent	24,808	5,196	5,790	-
Succeeding year	2,180,000	410,000	768,000	-
Interest and penalty on property tax	217,083	-	-	-
Accounts	86,892	-	-	2,610
Accrued interest	6,542	-	-	-
Due from other governments	55,330	-	-	210,098
Inventories	-	-	-	181,520
Prepaid expenses	79,568	-	-	27,119
Total assets	<u>\$ 3,177,080</u>	<u>\$ 612,032</u>	<u>\$ 1,032,287</u>	<u>\$ 683,911</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 423,016	\$ 1,667,770
1,231	37,025
158,000	3,516,000
-	217,083
183	89,685
132	6,674
-	265,428
-	181,520
-	106,687
<u>\$ 582,562</u>	<u>\$ 6,087,872</u>

CLARKE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 45,461	\$ 46,279	\$ 79	\$ 135,643
Salaries and benefits payable	57,676	288	8,930	22,797
Due to other governments (note 5)	-	178,154	-	-
<b>Deferred revenue:</b>				
Succeeding year property tax	2,180,000	410,000	768,000	-
Other	241,891	5,196	5,790	-
<b>Total liabilities</b>	<b>2,525,028</b>	<b>639,917</b>	<b>782,799</b>	<b>158,440</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Inventories	-	-	-	181,520
Prepaid expenses	79,568	-	-	27,119
Supplemental levy purposes	322,007	-	39,557	-
Debt service	-	-	-	-
Inmate room and board	55,414	-	-	-
<b>Unreserved, reported in:</b>				
General fund	195,063	-	-	-
Special revenue funds	-	(27,885)	209,931	316,832
Capital projects fund	-	-	-	-
<b>Total fund balances</b>	<b>652,052</b>	<b>(27,885)</b>	<b>249,488</b>	<b>525,471</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,177,080</b>	<b>\$ 612,032</b>	<b>\$ 1,032,287</b>	<b>\$ 683,911</b>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 227,462
-	89,691
-	178,154
158,000	3,516,000
1,231	254,108
<u>159,231</u>	<u>4,265,415</u>
-	181,520
-	106,687
-	361,564
68,440	68,440
-	55,414
-	195,063
272,932	771,810
81,959	81,959
<u>423,331</u>	<u>1,822,457</u>
<u>\$ 582,562</u>	<u>\$ 6,087,872</u>

## CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Total fund balances of governmental funds	\$ 1,822,457
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 \$22,097,890 and the accumulated depreciation is \$7,607,143.	14,490,747
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	254,108
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	116,699
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.	(41,646)
Long-term liabilities, including notes payable, purchase agreements payable, line of credit payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,182,545)</u>
Net assets of governmental activities	<u>\$ 14,459,820</u>

See notes to financial statements.

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CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 2,217,626	\$ 410,559	\$ 696,364	\$ -
Interest and penalty on property tax	48,568	-	-	-
Intergovernmental	801,096	668,953	34,151	2,746,930
Licenses and permits	5,950	-	3,940	1,090
Charges for service	264,953	-	600	221
Use of money and property	50,344	-	-	-
Miscellaneous	28,195	1,249	824	222,811
Total revenues	<u>3,416,732</u>	<u>1,080,761</u>	<u>735,879</u>	<u>2,971,052</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,317,808	-	216,571	-
Physical health and social services	1,006,047	-	-	-
Mental health	-	1,021,859	-	-
County environment and education	190,686	-	86,216	-
Roads and transportation	-	-	-	3,480,704
Government services to residents	350,826	-	-	-
Administration	756,184	-	-	-
Debt service	-	-	-	626,952
Capital projects	-	-	-	207,095
Total expenditures	<u>3,621,551</u>	<u>1,021,859</u>	<u>302,787</u>	<u>4,314,751</u>
Excess (deficiency) of revenues over (under) expenditures	(204,819)	58,902	433,092	(1,343,699)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	216,126	-	-	405,000
Interfund transfers out (note 3)	-	-	(430,000)	-
Execution of capital lease	-	-	-	226,020
Line of credit proceeds	-	-	-	639,000
Total other financing sources (uses)	<u>216,126</u>	<u>-</u>	<u>(430,000)</u>	<u>1,270,020</u>
Net change in fund balances	11,307	58,902	3,092	(73,679)
Fund balances beginning of year	<u>640,745</u>	<u>(86,787)</u>	<u>246,396</u>	<u>599,150</u>
Fund balances end of year	<u>\$ 652,052</u>	<u>\$ (27,885)</u>	<u>\$ 249,488</u>	<u>\$ 525,471</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 135,183	\$	3,459,732
-		48,568
128,353		4,379,483
-		10,980
1,780		267,554
19,367		69,711
21,223		274,302
<u>305,906</u>		<u>8,510,330</u>
22,761		1,557,140
-		1,006,047
-		1,021,859
-		276,902
-		3,480,704
-		350,826
-		756,184
209,299		836,251
701,833		908,928
<u>933,893</u>		<u>10,194,841</u>
(627,987)		(1,684,511)
25,000		646,126
(216,126)		(646,126)
-		226,020
-		639,000
<u>(191,126)</u>		<u>865,020</u>
(819,113)		(819,491)
<u>1,242,444</u>		<u>2,641,948</u>
<u>\$ 423,331</u>	<u>\$</u>	<u>1,822,457</u>

## CLARKE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (819,491)

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:

	\$	1,646,469	
Expenditures for capital assets			
Depreciation expense		<u>(832,122)</u>	814,347

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:

		2,293	
Property tax			
Other		<u>12,581</u>	14,874

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 and does not affect the Statement of Activities. (865,020)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 842,262

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:

		(23,000)	
Compensated absences			
Interest on long-term debt		<u>(11,621)</u>	(34,621)

The Internal Service Funds are used by management to charge the costs of  
the County's health insurance and flexible benefits plans to individual  
funds. The change in net assets of the Internal Service Funds is reported  
with governmental activities. (54,794)

Change in net assets of governmental activities \$ (102,443)

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2009

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 116,683
Accrued interest receivable	<u>16</u>
Total assets	<u>116,699</u>
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	<u><u>\$ 116,699</u></u>

See notes to financial statements.

## CLARKE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 613,424
Charges to employees and others	<u>146,801</u>
Total operating revenues	<u>760,225</u>
Operating expenses:	
Insurance premiums	786,329
Flexible spending claims	28,048
Administrative fees	<u>1,722</u>
Total operating expenses	<u>816,099</u>
Operating loss	(55,874)
Non-operating revenues:	
Interest on investments	<u>1,080</u>
Net loss	(54,794)
Net assets beginning of year	<u>171,493</u>
Net assets end of year	<u>\$ 116,699</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 613,424
Cash received from employees and others	148,912
Cash payments to suppliers for services	<u>(878,287)</u>
Net cash used by operating activities	<u>(115,951)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,294</u>
Net decrease in cash and cash equivalents	(114,657)
Cash and cash equivalents beginning of year	<u>231,340</u>
Cash and cash equivalents end of year	<u>\$ 116,683</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (55,874)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	2,111
(Decrease) in accounts payable	<u>(62,188)</u>
Net cash used by operating activities	<u>\$ (115,951)</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2009

Assets

Cash and pooled investments:		
County Treasurer	\$	352,876
Other County officials		72,771
Receivables:		
Property tax:		
Delinquent		116,767
Succeeding year		9,430,000
Accounts		188
Due from other governments		94,887
Prepaid expenses		<u>4,061</u>
 Total assets	 \$	 <u><u>10,071,550</u></u>

Liabilities

Accounts payable	\$	64,822
Salaries and benefits payable		13,500
Due to other governments (note 5)		9,867,785
Trusts payable		112,535
Compensated absences		<u>12,908</u>
 Total liabilities	 \$	 <u><u>10,071,550</u></u>

See notes to financial statements.

## CLARKE COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

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

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2009 consists of \$1,426,798.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function and disbursements in the local option tax department exceeded the amount appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's funds are all deposited in financial institution depository accounts.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 405,000
SIRWA Grid Project Sinking	Rural Services	25,000
General	Local Option Sales and Services Tax Revenue	166,126
General	Capital Projects	<u>50,000</u>
		<u>\$ 646,126</u>

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,654	\$ -	\$ -	\$ 571,654
Construction in progress	33,590	-	33,590	-
Total capital assets not being depreciated	<u>605,244</u>	<u>-</u>	<u>33,590</u>	<u>571,654</u>
Capital assets being depreciated:				
Buildings	6,585,346	450,992	-	7,036,338
Machinery and equipment	3,481,436	432,595	386,036	3,527,995
Infrastructure	10,165,431	796,472	-	10,961,903
Total capital assets being depreciated	<u>20,232,213</u>	<u>1,680,059</u>	<u>386,036</u>	<u>21,526,236</u>
Less accumulated depreciation for:				
Buildings	1,564,418	196,562	-	1,760,980
Machinery and equipment	2,335,041	270,163	386,036	2,219,168
Infrastructure	3,261,598	365,397	-	3,626,995
Total accumulated depreciation	<u>7,161,057</u>	<u>832,122</u>	<u>386,036</u>	<u>7,607,143</u>
Total capital assets being depreciated, net	<u>13,071,156</u>	<u>847,937</u>	<u>-</u>	<u>13,919,093</u>
Governmental activities capital assets, net	<u>\$ 13,676,400</u>	<u>\$ 847,937</u>	<u>\$ 33,590</u>	<u>\$ 14,490,747</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 104,799
Physical health and social services	85,715
County environment and education	14,228
Roads and transportation	581,178
Government services to residents	912
Administration	<u>45,290</u>

Total depreciation expense - governmental activities	<u><u>\$ 832,122</u></u>
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Note 5. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>178,154</u></u>
Agency:		
County Assessor	Collections	\$ 251,033
Schools		4,556,464
Area Schools		217,786
Corporations		3,352,752
County Hospital		1,112,261
Auto License and Use Tax		138,678
All Other		<u>238,811</u>
Total for agency funds		<u><u>\$ 9,867,785</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 1,040,000	\$ -	\$ 130,000	\$ 910,000	\$ 170,000
Real Estate Purchase Agreement	42,522	-	22,501	20,021	20,021
Child Care Center Revenue Notes	532,996	-	6,215	526,781	6,510
Promissory Note	80,781	-	18,839	61,942	19,744
Capital Lease Purchase Agreements	296,500	226,020	37,755	484,765	67,626
Line of Credit	-	639,000	626,952	12,048	12,048
Compensated Absences	143,988	166,988	143,988	166,988	166,988
	<u>\$ 2,136,787</u>	<u>\$ 1,032,008</u>	<u>\$ 986,250</u>	<u>\$ 2,182,545</u>	<u>\$ 462,937</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes Payable

A summary of the County's general obligation capital loan note indebtedness at June 30, 2009 is as follows:

Year Ending June 30,	Series Dated September 1, 1994			Series Dated October 15, 2007		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2010	6.10 %	\$ 40,000	\$ 2,400	4.75 %	\$ 55,000	\$ 13,075
2011	-	-	-	4.75	55,000	10,462
2012	-	-	-	4.75	60,000	7,850
2013	-	-	-	4.00	60,000	5,000
2014	-	-	-	4.00	65,000	2,600
		<u>\$ 40,000</u>	<u>\$ 2,400</u>		<u>\$ 295,000</u>	<u>\$ 38,987</u>

  

Year Ending June 30,	Series Dated June 15, 2008			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2010	3.00 %	\$ 75,000	\$ 19,920	\$ 170,000	\$ 35,395
2011	3.20	80,000	17,670	135,000	28,132
2012	3.40	80,000	15,110	140,000	22,960
2013	3.50	90,000	12,390	150,000	17,390
2014	3.60	90,000	9,240	155,000	11,840
2015	3.75	160,000	6,000	160,000	6,000
		<u>\$ 575,000</u>	<u>\$ 80,330</u>	<u>\$ 910,000</u>	<u>\$ 121,717</u>

Real Estate Purchase Agreement

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

A summary of the County's June 30, 2009, real estate contract purchase agreement indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2010	<u>\$ 20,021</u>	<u>\$ 680</u>	<u>\$ 20,701</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 6. Long-Term Liabilities (continued)

Child Care Center Revenue Notes

Details of the County's June 30, 2009 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.75 %	\$ 6,510	\$ 25,022	\$ 31,532
2011	4.75	6,819	24,713	31,532
2012	4.75	7,143	24,389	31,532
2013	4.75	7,482	24,050	31,532
2014	4.75	7,838	23,694	31,532
2015-2019	4.75	45,139	112,521	157,660
2020-2024	4.75	56,928	100,732	157,660
2025-2029	4.75	71,795	85,865	157,660
2030-2034	4.75	90,545	67,115	157,660
2035-2039	4.75	114,192	43,468	157,660
2040-2043	4.75	112,390	13,656	126,046
		<u>\$ 526,781</u>	<u>\$ 545,225</u>	<u>\$ 1,072,006</u>

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

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 6. Long-Term Liabilities (continued)

Promissory Note

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

A summary of the County's promissory note indebtedness at June 30, 2009 is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 19,744	\$ 2,970	\$ 22,714
2011	20,691	2,023	22,714
2012	<u>21,507</u>	<u>1,029</u>	<u>22,536</u>
	<u>\$ 61,942</u>	<u>\$ 6,022</u>	<u>\$ 67,964</u>

Capital Lease Purchase Agreements

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

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

A summary of the County's capital lease purchase agreement indebtedness at June 30, 2009 is as follows:

Year Ending June 30,	March 14, 2008			August 15, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 39,194	\$ 9,861	\$ 49,055	\$ 14,298	\$ 4,546	\$ 18,844
2011	40,688	8,367	49,055	14,873	3,971	18,844
2012	42,239	6,816	49,055	15,472	3,372	18,844
2013	43,849	5,206	49,055	16,094	2,750	18,844
2014	45,520	3,535	49,055	16,742	2,102	18,844
2015	47,255	1,802	49,057	17,415	1,429	18,844
2016	-	-	-	18,116	729	18,845
	<u>\$ 258,745</u>	<u>\$ 35,587</u>	<u>\$ 294,332</u>	<u>\$ 113,010</u>	<u>\$ 18,899</u>	<u>\$ 131,909</u>

Year Ending June 30,	September 10, 2008			Total		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 14,134	\$ 4,551	\$ 18,685	\$ 67,626	\$ 18,958	\$ 86,584
2011	15,015	3,670	18,685	70,576	16,008	86,584
2012	15,572	3,113	18,685	73,283	13,301	86,584
2013	16,150	2,535	18,685	76,093	10,491	86,584
2014	16,750	1,935	18,685	79,012	7,572	86,584
2015	17,372	1,313	18,685	82,042	4,544	86,586
2016	18,017	669	18,686	36,133	1,398	37,531
	<u>\$ 113,010</u>	<u>\$ 17,786</u>	<u>\$ 130,796</u>	<u>\$ 484,765</u>	<u>\$ 72,272</u>	<u>\$ 557,037</u>

Line of Credit

During the year ended June 30, 2009, the County approved a line of credit with a local bank to finance three bridge replacement projects until the County is reimbursed by federal and state funds. The line of credit is in the amount of \$400,000 for up to six months at 3.6% interest.

A summary of the line of credit activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
Line of credit	\$ -	\$ 639,000	\$ 626,952	\$ 12,048

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 7. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2010. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2009 was \$8,292.

Note 8. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$199,664, \$175,749 and \$163,426, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 9. Risk Management (continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were \$106,862.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Contingent Liability

Hospital Revenue Bonds

Clarke County has issued general obligation hospital revenue bonds in accordance with Chapter 347A.1 of the Code of Iowa. The proceeds were used to remodel the hospital and build an ambulance garage. The bonds are payable primarily from revenues of the hospital. The balance of bonds unpaid at June 30, 2009 is \$160,000. The County is contingently liable for any debt service payments not covered by hospital revenues.

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Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2009

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 3,450,123	\$ 4,171,550	\$ 4,171,550	\$ (721,427)
Interest and penalty on property tax	48,568	45,000	45,000	3,568
Intergovernmental	4,332,509	2,946,101	4,758,974	(426,465)
Licenses and permits	10,605	13,850	13,850	(3,245)
Charges for service	246,516	273,065	273,065	(26,549)
Use of money and property	65,859	253,450	253,450	(187,591)
Miscellaneous	281,583	434,960	434,960	(153,377)
Total receipts	<u>8,435,763</u>	<u>8,137,976</u>	<u>9,950,849</u>	<u>(1,515,086)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,545,284	1,655,988	1,743,911	198,627
Physical health and social services	1,014,858	1,048,723	1,061,596	46,738
Mental health	1,104,484	1,070,600	1,170,600	66,116
County environment and education	271,750	283,643	283,643	11,893
Roads and transportation	3,484,770	2,417,850	3,517,850	33,080
Government services to residents	350,026	361,865	371,385	21,359
Administration	764,422	796,368	796,368	31,946
Debt service	802,475	209,400	209,400	(593,075)
Capital projects	942,714	295,800	1,761,371	818,657
Total disbursements	<u>10,280,783</u>	<u>8,140,237</u>	<u>10,916,124</u>	<u>635,341</u>
Excess (deficiency) of receipts over (under) disbursements	(1,845,020)	(2,261)	(965,275)	(879,745)
Other financing sources, net	<u>865,020</u>	<u>77,172</u>	<u>652,172</u>	<u>212,848</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(980,000)	74,911	(313,103)	(666,897)
Balance beginning of year	<u>2,647,770</u>	<u>2,337,872</u>	<u>2,337,872</u>	<u>309,898</u>
Balance end of year	<u>\$ 1,667,770</u>	<u>\$ 2,412,783</u>	<u>\$ 2,024,769</u>	<u>\$ (356,999)</u>

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,435,763	\$ 74,567	\$ 8,510,330
Expenditures	10,280,783	(85,942)	10,194,841
Net	(1,845,020)	160,509	(1,684,511)
Other financing sources, net	865,020	-	865,020
Beginning fund balances	2,647,770	(5,822)	2,641,948
Ending fund balances	<u>\$ 1,667,770</u>	<u>\$ 154,687</u>	<u>\$ 1,822,457</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2009

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, four budget amendments increased budgeted disbursements by \$2,775,887. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function and disbursements in the local option tax department exceeded the amount appropriated.

Other Supplementary Information

CLARKE COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
<b>Assets</b>				
Cash and pooled investments	\$ 12,946	\$ 94,249	\$ 57,458	\$ 26,522
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	183	-	-	-
Accrued interest	20	62	-	50
Total assets	\$ <u>13,149</u>	\$ <u>94,311</u>	\$ <u>57,458</u>	\$ <u>26,572</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	-	-	-	-
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	-	-
Unreserved	13,149	94,311	57,458	26,572
Total fund balances	13,149	94,311	57,458	26,572
Total liabilities and fund balances	\$ <u>13,149</u>	\$ <u>94,311</u>	\$ <u>57,458</u>	\$ <u>26,572</u>

See accompanying independent auditor's report.

County Attorney Forfeiture	Local Option Sales and Services Tax Revenue	SIRWA Grid Project Sinking	Debt Service			Capital Projects	Total
			Debt Service	Child Care Center Reserve			
\$ 10,740	\$ 20,702	\$ 50,000	\$ 43,901	\$ 24,539	\$ 81,959	\$ 423,016	
-	-	-	1,231	-	-	1,231	
-	-	-	158,000	-	-	158,000	
-	-	-	-	-	-	183	
-	-	-	-	-	-	132	
<u>\$ 10,740</u>	<u>\$ 20,702</u>	<u>\$ 50,000</u>	<u>\$ 203,132</u>	<u>\$ 24,539</u>	<u>\$ 81,959</u>	<u>\$ 582,562</u>	
\$ -	\$ -	\$ -	\$ 158,000	\$ -	\$ -	\$ 158,000	
-	-	-	1,231	-	-	1,231	
-	-	-	159,231	-	-	159,231	
-	-	-	43,901	24,539	-	68,440	
10,740	20,702	50,000	-	-	81,959	354,891	
<u>10,740</u>	<u>20,702</u>	<u>50,000</u>	<u>43,901</u>	<u>24,539</u>	<u>81,959</u>	<u>423,331</u>	
<u>\$ 10,740</u>	<u>\$ 20,702</u>	<u>\$ 50,000</u>	<u>\$ 203,132</u>	<u>\$ 24,539</u>	<u>\$ 81,959</u>	<u>\$ 582,562</u>	

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	Special Revenue				
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education	Drug Forfeiture
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	14,627	1,075	-	-
Charges for service	1,780	-	-	-	-
Use of money and property	98	827	11,798	261	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,878</u>	<u>15,454</u>	<u>12,873</u>	<u>261</u>	<u>-</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	10,923
Debt service	-	-	-	-	-
Capital projects	-	-	2,685	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>2,685</u>	<u>-</u>	<u>10,923</u>
Excess (deficiency) of revenues over (under) expenditures	1,878	15,454	10,188	261	(10,923)
Other financing sources (uses):					
Interfund transfers in	-	-	-	-	-
Interfund transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,878	15,454	10,188	261	(10,923)
Fund balances beginning of year	<u>11,271</u>	<u>78,857</u>	<u>47,270</u>	<u>26,311</u>	<u>10,923</u>
Fund balances end of year	<u>\$ 13,149</u>	<u>\$ 94,311</u>	<u>\$ 57,458</u>	<u>\$ 26,572</u>	<u>\$ -</u>

County Attorney Forfeiture	Local Option Sales and Services Tax Revenue	SIRWA Grid Project Sinking	Debt Service			Capital Projects	Total
			Debt Service	Child Care Center Reserve			
\$ -	\$ 31,671	\$ -	\$ 103,512	\$ -	\$ -	\$ 135,183	
-	-	-	112,651	-	-	128,353	
-	-	-	-	-	-	1,780	
-	-	-	-	-	6,383	19,367	
10,223	-	-	-	-	11,000	21,223	
<u>10,223</u>	<u>31,671</u>	<u>-</u>	<u>216,163</u>	<u>-</u>	<u>17,383</u>	<u>305,906</u>	
11,838	-	-	-	-	-	22,761	
-	24,927	-	184,372	-	-	209,299	
-	254,942	-	-	-	444,206	701,833	
<u>11,838</u>	<u>279,869</u>	<u>-</u>	<u>184,372</u>	<u>-</u>	<u>444,206</u>	<u>933,893</u>	
(1,615)	(248,198)	-	31,791	-	(426,823)	(627,987)	
-	-	25,000	-	-	-	25,000	
-	(166,126)	-	-	-	(50,000)	(216,126)	
-	(166,126)	25,000	-	-	(50,000)	(191,126)	
(1,615)	(414,324)	25,000	31,791	-	(476,823)	(819,113)	
12,355	435,026	25,000	12,110	24,539	558,782	1,242,444	
<u>\$ 10,740</u>	<u>\$ 20,702</u>	<u>\$ 50,000</u>	<u>\$ 43,901</u>	<u>\$ 24,539</u>	<u>\$ 81,959</u>	<u>\$ 423,331</u>	

CLARKE COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2009

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 13,355	\$ 103,328	\$ 116,683
Accrued interest receivable	-	16	16
Total assets	<u>13,355</u>	<u>103,344</u>	<u>116,699</u>
Liabilities			
None	-	-	-
Net Assets			
Unrestricted	<u>\$ 13,355</u>	<u>\$ 103,344</u>	<u>\$ 116,699</u>

See accompanying independent auditor's report.

## CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2009

	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	\$ 613,424	\$ 613,424
Charges to employees and others	29,238	117,563	146,801
Total operating revenues	29,238	730,987	760,225
Operating expenses:			
Insurance premiums	-	786,329	786,329
Flexible spending claims	28,048	-	28,048
Administrative fees	1,722	-	1,722
Total operating expenses	29,770	786,329	816,099
Operating loss	(532)	(55,342)	(55,874)
Non-operating revenues:			
Interest on investments	-	1,080	1,080
Net loss	(532)	(54,262)	(54,794)
Net assets beginning of year	13,887	157,606	171,493
Net assets end of year	\$ 13,355	\$ 103,344	\$ 116,699

See accompanying independent auditor's report.

CLARKE COUNTY  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2009

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 613,424	\$ 613,424
Cash received from employees and others	29,238	119,674	148,912
Cash payments to suppliers for services	<u>(29,770)</u>	<u>(848,517)</u>	<u>(878,287)</u>
Net cash used by operating activities	<u>(532)</u>	<u>(115,419)</u>	<u>(115,951)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>1,294</u>	<u>1,294</u>
Net decrease in cash and cash equivalents	(532)	(114,125)	(114,657)
Cash and cash equivalents beginning of year	<u>13,887</u>	<u>217,453</u>	<u>231,340</u>
Cash and cash equivalents end of year	<u>\$ 13,355</u>	<u>\$ 103,328</u>	<u>\$ 116,683</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (532)	\$ (55,342)	\$ (55,874)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Decrease in accounts receivable	-	2,111	2,111
(Decrease) in accounts payable	<u>-</u>	<u>(62,188)</u>	<u>(62,188)</u>
Net cash used by operating activities	<u>\$ (532)</u>	<u>\$ (115,419)</u>	<u>\$ (115,951)</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	<u>County Offices</u>		<u>Agricultural</u>	
	<u>County</u>	<u>County</u>	<u>Extension</u>	<u>County</u>
	<u>Recorder</u>	<u>Sheriff</u>	<u>Education</u>	<u>Assessor</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	1,416	\$ 50,131
Other County officials	10,331	62,440	-	-
Receivables:				
Property tax:				
Delinquent	-	-	1,051	2,473
Succeeding year	-	-	91,000	210,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	4,061
	<hr/>			
Total assets	<u>\$ 10,331</u>	<u>\$ 62,440</u>	<u>\$ 93,467</u>	<u>\$ 266,665</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,279	\$ 48,331	\$ -	\$ 32
Salaries and benefits payable	-	-	-	3,957
Due to other governments	1,052	-	93,467	251,033
Trusts payable	-	14,109	-	-
Compensated absences	-	-	-	11,643
	<hr/>			
Total liabilities	<u>\$ 10,331</u>	<u>\$ 62,440</u>	<u>\$ 93,467</u>	<u>\$ 266,665</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 69,031	\$ 3,318	\$ 38,510	\$ 2,255	\$ 1,639	\$ 19,071	\$ 16
-	-	-	-	-	-	-
52,433	2,468	43,242	898	-	14,190	12
4,435,000	212,000	3,271,000	131,000	-	1,079,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,556,464</u>	<u>\$ 217,786</u>	<u>\$ 3,352,752</u>	<u>\$ 134,153</u>	<u>\$ 1,639</u>	<u>\$ 1,112,261</u>	<u>\$ 1,028</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,556,464	217,786	3,352,752	134,153	1,639	1,112,261	1,028
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,556,464</u>	<u>\$ 217,786</u>	<u>\$ 3,352,752</u>	<u>\$ 134,153</u>	<u>\$ 1,639</u>	<u>\$ 1,112,261</u>	<u>\$ 1,028</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 145,853	\$ 90,597	\$ 7,829	\$ 9,258
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	5	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 145,858</u>	<u>\$ 90,597</u>	<u>\$ 7,829</u>	<u>\$ 9,258</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,180	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	807
Due to other governments	138,678	-	-	7,186
Trusts payable	-	90,597	7,829	-
Compensated absences	-	-	-	1,265
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 145,858</u>	<u>\$ 90,597</u>	<u>\$ 7,829</u>	<u>\$ 9,258</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Total
\$ 103	\$ (86,151)	\$ 352,876
-	-	72,771
-	-	116,767
-	-	9,430,000
183	-	188
-	94,887	94,887
-	-	4,061
\$ 286	\$ 8,736	\$ 10,071,550
\$ -	\$ -	\$ 64,822
-	8,736	13,500
286	-	9,867,785
-	-	112,535
-	-	12,908
\$ 286	\$ 8,736	\$ 10,071,550

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2009

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 6,524	\$ 21,973	\$ 85,321	\$ 253,559
<b>Additions:</b>				
Property and other County tax	-	-	91,323	210,953
Local option sales and services tax	-	-	-	-
State tax credits	-	-	3,819	8,982
Office fees and collections	132,529	290,283	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	141,134	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	3,833
Total additions	132,529	431,417	95,142	223,768
<b>Deductions:</b>				
<b>Agency remittances:</b>				
To other funds	62,668	250,760	-	-
To other governments	66,054	747	86,996	210,662
Trusts paid out	-	139,443	-	-
Total deductions	128,722	390,950	86,996	210,662
Balances end of year	\$ 10,331	\$ 62,440	\$ 93,467	\$ 266,665

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 4,252,635	\$ 199,005	\$ 3,505,728	\$ 130,107	\$ 1,087	\$ 1,163,322	\$ 1,027
4,443,854	212,955	3,209,563	132,257	-	1,081,727	969
-	-	-	-	-	-	-
186,523	8,913	95,796	6,264	-	51,363	44
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,292	-	-
-	-	-	-	-	-	-
<u>4,630,377</u>	<u>221,868</u>	<u>3,305,359</u>	<u>138,521</u>	<u>8,292</u>	<u>1,133,090</u>	<u>1,013</u>
-	-	-	-	-	-	-
4,326,548	203,087	3,458,335	134,475	7,740	1,184,151	1,012
-	-	-	-	-	-	-
<u>4,326,548</u>	<u>203,087</u>	<u>3,458,335</u>	<u>134,475</u>	<u>7,740</u>	<u>1,184,151</u>	<u>1,012</u>
\$ <u>4,556,464</u>	\$ <u>217,786</u>	\$ <u>3,352,752</u>	\$ <u>134,153</u>	\$ <u>1,639</u>	\$ <u>1,112,261</u>	\$ <u>1,028</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2009

	<u>Auto License and Use Tax</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>Emergency Management</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 148,178	\$ 99,617	\$ 9,826	\$ 7,284
Additions:				
Property and other County tax	-	-	-	-
Local option sales and services tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,852,904	-	-	-
Trusts	-	99,933	143,167	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	61,218
Total additions	<u>1,852,904</u>	<u>99,933</u>	<u>143,167</u>	<u>61,218</u>
Deductions:				
Agency remittances:				
To other funds	86,667	-	-	-
To other governments	1,768,557	-	-	59,244
Trusts paid out	-	108,953	145,164	-
Total deductions	<u>1,855,224</u>	<u>108,953</u>	<u>145,164</u>	<u>59,244</u>
Balances end of year	<u>\$ 145,858</u>	<u>\$ 90,597</u>	<u>\$ 7,829</u>	<u>\$ 9,258</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Reservoir Local Option Sales and Services Tax</u>	<u>Total</u>
\$ <u>339</u>	\$ <u>7,536</u>	\$ <u>18,094</u>	\$ <u>9,911,162</u>
-	-	-	9,383,601
-	-	2,952	2,952
-	-	-	361,704
1,780	-	-	424,592
-	-	-	1,852,904
-	-	-	384,234
-	-	-	8,292
-	304,152	-	369,203
<u>1,780</u>	<u>304,152</u>	<u>2,952</u>	<u>12,787,482</u>
-	-	-	400,095
1,833	302,952	21,046	11,833,439
-	-	-	393,560
<u>1,833</u>	<u>302,952</u>	<u>21,046</u>	<u>12,627,094</u>
\$ <u><u>286</u></u>	\$ <u><u>8,736</u></u>	\$ <u><u>-</u></u>	\$ <u><u>10,071,550</u></u>

## CLARKE COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Property and other County tax	\$ 3,459,732	\$ 3,560,557	\$ 4,197,991	\$ 3,728,172	\$ 3,843,161
Interest and penalty on property tax	48,568	40,112	36,111	37,986	45,088
Intergovernmental	4,379,483	3,798,207	3,345,660	3,031,600	3,133,909
Licenses and permits	10,980	10,650	9,235	8,890	11,835
Charges for service	267,554	260,905	262,821	268,264	229,834
Use of money and property	69,711	143,553	285,982	192,814	115,778
Miscellaneous	274,302	369,071	254,497	323,628	307,346
<b>Total</b>	<b>\$ 8,510,330</b>	<b>\$ 8,183,055</b>	<b>\$ 8,392,297</b>	<b>\$ 7,591,354</b>	<b>\$ 7,686,951</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	\$ 1,557,140	\$ 1,440,885	\$ 1,457,547	\$ 1,369,187	\$ 1,308,070
Physical health and social services	1,006,047	1,005,010	919,485	897,918	847,740
Mental health	1,021,859	1,140,658	1,032,628	1,021,097	891,323
County environment and education	276,902	261,894	250,582	248,329	230,743
Roads and transportation	3,480,704	2,967,938	2,224,277	2,149,188	2,452,539
Government services to residents	350,826	334,031	304,375	388,646	312,804
Administration	756,184	762,990	697,713	729,359	671,734
Debt service	836,251	3,004,237	528,691	543,682	688,377
Capital projects	908,928	938,234	383,320	123,988	744,897
<b>Total</b>	<b>\$ 10,194,841</b>	<b>\$ 11,855,877</b>	<b>\$ 7,798,618</b>	<b>\$ 7,471,394</b>	<b>\$ 8,148,227</b>

See accompanying independent auditor's report.

CLARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

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 09	\$ <u>15,493</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 20(61)	252,099
Highway Planning and Construction	20.205	BROS 20(69)	164,139
Highway Planning and Construction	20.205	BROS 20(70)	<u>203,349</u>
			<u>619,587</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1763IA	<u>482,064</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 09	<u>14,028</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 09	<u>15</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 09	<u>4,038</u>
Foster Care - Title IV-E	93.658	FY 09	<u>8,386</u>
Adoption Assistance	93.659	FY 09	<u>2,059</u>
Children's Health Insurance Program	93.767	FY 09	<u>112</u>
Medical Assistance Program	93.778	FY 09	<u>18,523</u>
Social Services Block Grant	93.667	FY 09	<u>9,192</u>
Social Services Block Grant	93.667	FY 09	<u>39,362</u>
			<u>48,554</u>

CLARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Immunization Grants	93.268	5889I417	\$ 3,633
Immunization Grants	93.268	5888I417	<u>1,243</u>
			<u>4,876</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889WW22	5,480
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889NB08	<u>9,765</u>
			<u>15,245</u>
Total			<u>\$ 1,232,980</u>

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

See accompanying independent auditor's report.

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

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarke County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-B-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Clarke County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa  
March 12, 2010

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

To the Officials of Clarke County:

Compliance

We have audited the compliance of Clarke County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Clarke County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarke County's management. Our responsibility is to express an opinion on Clarke County's compliance based on our audit.

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

In our opinion, Clarke County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

Oskaloosa, Iowa  
March 12, 2010

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was 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) Clarke County did not qualify as a low-risk auditee.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties

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

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

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

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

SIGNIFICANT DEFICIENCIES (continued):

II-A-09 Segregation of Duties (continued)

Responses –

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

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

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

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

Conclusion – Responses accepted.

II-B-09 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County's financial statements. We also noted material differences in depreciation expense and accumulated depreciation for capital assets. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

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

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

Conclusion – Response accepted.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

SIGNIFICANT DEFICIENCIES (continued):

II-C-09 Checks Written and Held – We noted in our testing of checks outstanding at year end that a check for \$46,935 was written on June 29, 2009 and had not been redeemed. Upon inquiry regarding the delay in redemption, we noted that the warrant had not been released to the contractor until January 2010 due to delays in the completion of the project.

Recommendation – Writing and holding checks bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any checks are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding checks. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of checks.

Conclusion – Response accepted.

CLARKE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service function. Disbursements in the local option tax department exceeded the amount appropriated at year end.

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

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

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

Conclusion – Response accepted.

IV-B-09 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-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-09 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-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 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-09 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-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

CLARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-J-09 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$27,885 at June 30, 2009.

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

Response – We will continue working on restoring the Mental Health Fund to a sound financial condition. The deficit has decreased \$58,902 from the prior year.

Conclusion – Response accepted.

IV-K-09 Debt Service Payments – We noted that the payments of principal and interest for the County’s promissory note and capital lease purchase agreements were made through the roads and transportation function rather than the debt service function.

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

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

Conclusion – Response accepted.

IV-L-09 Homemakers Health Payroll – The County has entered into an agreement with Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care is to reimburse the County for the payroll expenses, which are recorded in an Agency Fund of the County. At June 30, 2009, Home Care owed the County \$86,151 for payroll expenses.

Recommendation – The County should work with Home Care to develop a payment plan to collect what it is owed. The County should also consider the future sustainability of a separate home care aide service.

Response – We are aware of this situation and have begun the process of merging Home Care into the County’s Public Health department to help control costs.

Conclusion – Response accepted.