

BOWMAN & MILLER, P.C.

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24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

December 18, 2009

Mr. David Vaudt, CPA
Auditor of State
State Capitol
Des Moines, Iowa 50319

Dear Mr. Vaudt:

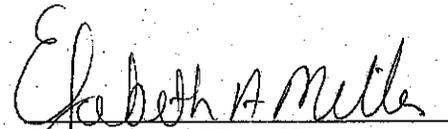
We submit herewith an audit report of the examination of Hardin County of Eldora, Iowa, as provided in Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States.

This examination of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardin County is for the period ending June 30, 2009. The work papers are on file at our office.

None of the records were taken out of the County.

Sincerely,

BOWMAN AND MILLER, P.C.


Elizabeth A. Miller, CPA

EAM:dss
Encl.

NEWS RELEASE

FOR RELEASE _____

Bowman and Miller, P.C. today released an audit report on Hardin County, Iowa.

The County had local tax revenue of \$26,662,140 for the year ended June 30, 2009, which included \$1,143,986 in tax credits from the state. The County forwarded \$19,834,507 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,827,633 of the local tax revenue to finance County operations, an 7.08% increase from the prior year. Other revenues included charges for services of \$3,040,872, operating grants, contributions and restricted interest of \$3,040,872, capital grants, contributions and restricted interest of \$3,252,882, local option sales tax of \$693,063, unrestricted investment earnings of \$181,774 and other general revenues of \$117,724.

Expenditures for County operations totaled \$14,274,265, a 4.8% increase from the prior year. Expenditures included \$5,727,598 for Roads and Transportation, \$3,106,876 for Public Safety and Legal Services and \$1,912,405 for Mental Health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/report.htm>.



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December 18, 2009

Hardin County Board of Supervisors
Courthouse
Eldora, IA 50627

For professional services as follows:

	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Senior Accountant and review	191	\$ 80.00	\$ 15,280.00
Staff Accountants	82	60.00	4,920.00
Office Staff, Clerical	10	30.00	<u>300.00</u>
Total services			<u>\$ 20,500.00</u>

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2009

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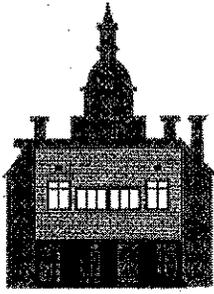
Hardin County Officials

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Johnson	Board of Supervisors	January 2009
Ed Bear	Board of Supervisors	January 2011
Ervin Miller	Board of Supervisors	January 2011
Renee McClellan	County Auditor	January 2009
Glena Nolting	County Treasurer	January 2011
Barbara Nuss	County Recorder	January 2011
Tim Smith	County Sheriff	January 2009
Randall Tilton	County Attorney	January 2011
Don Knoell	County Assessor	January 2011

(After January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Bear	Board of Supervisors	January 2011
Ervin Miller	Board of Supervisors	January 2011
Jim Johnson	Board of Supervisors	January 2013
Renee McClellan	County Auditor	January 2013
Glena Nolting	County Treasurer	January 2011
Barbara Nuss	County Recorder	January 2011
Tim Smith	County Sheriff	January 2013
Randall Tilton	County Attorney	January 2011
Don Knoell	County Assessor	January 2011



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Independent Auditors' Report

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin 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 Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 Hardin County at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2009 on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 10 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin 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 nine 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Bowman and Miller, P.C.

December 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 28.5%, or approximately \$4 million from fiscal 2008 to fiscal 2009. Property tax increased approximately \$416,000, operating grants and contributions increased approximately \$425,000, capital grants and contributions increased approximately \$3,029,000 and charges for service increased approximately \$175,000.
- Program expenses of the County's governmental activities were 4.5%, or approximately \$652,000, more in 2009 than in 2008. Roads and transportation expenses increased approximately \$717,000.
- The County's net assets increased 18.2%, or approximately \$3.8 million, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hardin County's combined net assets increased from approximately \$20.7 million to approximately \$24.4 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2009	2008
Current and other assets	\$ 16,155	14,659
Capital assets	20,448	18,487
Total assets	<u>36,603</u>	<u>33,146</u>
Long-term liabilities	5,051	5,338
Other liabilities	7,116	7,138
Total liabilities	<u>12,167</u>	<u>12,476</u>
Net assets:		
Invested in capital assets, net of related debt	15,879	13,576
Restricted	5,593	4,464
Unrestricted	2,964	2,630
Total net assets	<u>\$ 24,436</u>	<u>20,670</u>

Net assets of Hardin County's governmental activities increased 18.2 % (\$24.4 million compared to \$20.7 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$2.6 million at June 30, 2008 to approximately \$3 million at the end of this year, an increase of 12.7%.

This increase of approximately \$334,000 in unrestricted net assets was a result of increased revenue received for the care of prisoners at the County's jail facility. The County increased its total assets approximately \$3.8 million over the prior year. The County increased its investment in roadway equipment and road construction approximately \$2.8 million over the prior year

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 3,040,872	2,865,605
Operating grants, contributions and restricted interest	4,554,663	4,129,341
Capital grants, contributions and restricted interest	3,252,882	224,000
General revenues:		
Property tax	5,863,432	5,447,373
Interest and penalty on property tax	52,720	53,187
State tax credits	283,679	294,105
Local option sales tax	693,063	635,029
Grants and contributions not restricted to specific purposes	9,275	7,079
Unrestricted investment earnings	181,774	273,462
Other general revenues	108,449	109,989
Total revenues	<u>18,040,809</u>	<u>14,039,170</u>
Program expenses:		
Public safety and legal services	3,106,876	3,148,223
Physical health and social services	292,489	263,697
Mental health	1,912,405	2,005,319
County environment and education	994,470	854,356
Roads and transportation	5,727,598	5,010,504
Governmental services to residents	431,122	460,355
Administration	1,452,539	1,460,994
Non-program	235,294	224,432
Interest on long-term debt	121,472	194,739
Total expenses	<u>14,274,265</u>	<u>13,622,619</u>
Increase in net assets	3,766,544	416,551
Net assets beginning of year	<u>20,669,540</u>	<u>20,252,989</u>
Net assets end of year	<u>\$ 24,436,084</u>	<u>20,669,540</u>

Hardin County's net assets of governmental activities increased approximately \$3.77 million during the year. Total revenues increased approximately \$4 million over the prior year, with property tax revenue up from the prior year approximately \$416,000 or 7.6%. Capital grants, contributions and restricted interest increased due to approximately \$2.9 million of additional funds being received from the Iowa Department of Transportation in the form of Farm to Market funds. The total cost of all programs and services increased by 4.5% or \$652,000.

The cost of all governmental activities this year was approximately \$14.3 million compared to approximately \$13.6 million last year. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities was only \$3.4 million because some of the cost was paid by those who directly benefited from the programs (\$3,041,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,808,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2009 from approximately \$7,219,000 to approximately \$10,848,000. The County paid for the remaining "public benefit" portion of governmental activities (\$3,425,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements. General revenues increased due to an increase in the taxable valuation of land in the County.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$7 million, an increase of more than \$900,000 above last year's total of approximately \$6.1 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund's ending fund balance increased approximately \$526,000 from the prior year. This increase was due primarily to an increase in revenue received for the care of prisoners at the County's jail facility.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2 million, virtually unchanged from the prior year. The Mental Health Fund balance for the year ended increased by approximately \$548,000 over the prior year.
- Secondary Roads Fund revenues remained virtually unchanged from the prior year. Expenditures increased approximately \$1 million due principally to an increase in roadway construction and maintenance as the County continues to upgrade the condition of the County roadway system. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$474,000, or 48%.

There was no significant change in the Debt Service Fund balance or the Capital Projects Fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget once. The amendment was made on May 27, 2009. The amendment was made to provide for an increase in grant expenditures, increase in road projects and reallocating budgets between service areas.

The County's receipts were \$100,544 more than budgeted, a variance of less than 1%.

Total disbursements were \$1,437,443 less than the amended budget. Actual disbursements for the capital projects, roads and transportation, and administration functions were \$632,161, \$324,466 and \$148,007, respectively, less than budgeted. This was primarily due to anticipated capital projects being delayed.

The County exceeded the budget in the roads and transportation function before the budget amendment was approved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Hardin County had approximately \$41.7 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$3.2 million or 8.2% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)

	June 30,	
	2009	2008
Land	\$ 594	594
Construction in progress	133	44
Buildings and improvements	9,157	9,157
Machinery and equipment	6,394	6,159
Infrastructure	25,408	22,575
Total	<u>\$ 41,686</u>	<u>38,529</u>

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

Secondary road equipment	\$ 233
Sheriff's vehicles	72
Capital assets contributed by the Iowa Department of Transportation	2,821
Roadway construction and bridge replacement	10
Total	<u>\$ 3,136</u>

The County had depreciation expense of \$1,293,050 in fiscal 2009 and total accumulated depreciation of \$21,238,007 at June 30, 2009.

The County's fiscal year 2009 capital budget included \$711,686 for capital projects, principally for conservation overlook project, building repairs and new equipment purchases. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2009, the County had approximately \$5,051,000 in general obligation bonds and other debt outstanding compared to approximately \$5,338,000 at June 30, 2008, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2009	2008
General obligation bonds	\$ 4,510,000	4,895,000
Capital lease	59,798	15,620
Drainage warrants	169,284	102,894
Compensated absences	312,442	324,109
Total	<u>\$ 5,051,524</u>	<u>5,337,623</u>

The County continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the County's debt since 2003. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$55 million. More detailed information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the FY 2010 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County anticipates some increase in total assessed valuations due to continued expansion of value-added agriculture enterprises, such as bio diesel and ethanol plants; improved productivity of agriculture and other developments. However, rollback factors may off-set some of these increases. One concern however, is the downturn potential of the economy in general.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. Bonding will be necessary for selected items, such as an update of the County's communication system for emergency use. Reduced road use tax funds could have a negative impact on the secondary roads budget. The County will also be completing repairs caused by storm damage, including a new roof and windows for the courthouse at an approximate cost of \$489,000. Insurance proceeds will help cover these costs.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa.

Hardin County
Statement of Net Assets
June 30, 2009

Exhibit A

	Governmental Activities
Assets	
Cash and pooled investments	\$ 8,647,188
Receivables:	
Property tax:	
Delinquent	60,557
Succeeding year	6,045,226
Interest and penalty on property tax	75,716
Accounts	2,010
Accrued interest	27,548
Drainage assessments	70,339
Due from other governments	693,188
Inventories	533,169
Capital assets (net of accumulated depreciation)	20,448,415
Total assets	36,603,356
Liabilities	
Accounts payable	770,996
Accrued interest payable	42,188
Salaries and benefits payable	56,116
Due to other governments	201,222
Deferred revenue:	
Succeeding year property tax	6,045,226
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	39,868
General obligation bonds	390,000
Compensated absences	312,442
Portion due or payable after one year:	
Capital lease purchase agreement	19,930
General obligation bonds	4,120,000
Drainage warrants/drainage improvement certificates	169,284
Total liabilities	12,167,272
Net Assets	
Invested in capital assets, net of related debt	15,878,617
Restricted for:	
Supplemental levy purposes	752,489
Mental health purposes	681,311
Secondary roads purposes	455,383
Capital projects	757,058
Other purposes	2,947,224
Unrestricted	2,964,002
Total net assets	\$ 24,436,084

Hardin County
Statement of Activities
Year ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,106,876	2,343,439	-	-
Physical health and social services	292,489	32,965	47,939	-
Mental health	1,912,405	227,108	1,357,121	-
County environment and education	994,470	38,998	212,005	167,617
Roads and transportation	5,727,598	84,761	2,880,076	3,079,735
Governmental services to residents	431,122	299,229	1,005	-
Administration	1,452,539	10,022	56,517	-
Non-program	235,294	4,350	-	5,530
Interest on long-term debt	121,472	-	-	-
Total	\$ 14,274,265	3,040,872	4,554,663	3,252,882

General Revenues:

Property and other county tax levied for:
General purposes
Debt service
Tax increment financing
Interest and penalty on property tax
State tax credits
Local option sales tax
Grants and contributions not restricted to specific purposes
Unrestricted investment earnings
Miscellaneous
 Total general revenues
 Change in net assets
 Net assets beginning of year
 Net assets end of year

Net (Expense)
Revenue and
Changes
in Net Assets

(763,437)

(211,585)

(328,176)

(575,850)

316,974

(130,888)

(1,386,000)

(225,414)

(121,472)

(3,425,848)

5,481,934

213,078

168,420

52,720

283,679

693,063

9,275

181,774

108,449

7,192,392

3,766,544

20,669,540

\$ 24,436,084

Hardin County
Balance Sheet
Governmental Funds
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,051,959	916,770	406,434	212,864
Receivables:				
Property tax:				
Delinquent	38,588	10,490	7,601	-
Succeeding year	3,278,636	891,290	1,557,623	-
Interest and penalty on property tax	75,716	-	-	-
Accounts	1,875	-	-	35
Accrued interest	19,836	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	232,291	20,796	78,631	334,297
Inventories	-	-	-	533,169
Total assets	\$ 6,698,901	1,839,346	2,050,289	1,080,365
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 74,588	44,108	463	459,175
Salaries and benefits payable	22,697	334	2,884	30,201
Due to other governments	14,796	185,700	651	75
Deferred revenue:				
Succeeding year property tax	3,278,636	891,290	1,557,623	-
Other	113,749	10,414	7,483	77,214
Total liabilities	3,504,466	1,131,846	1,569,104	566,665
Fund balances:				
Reserved for:				
Supplemental levy purposes	752,489	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Cemetery levy	18,196	-	-	-
Unreserved, reported in:				
General fund	2,423,750	-	-	-
Special revenue funds	-	707,500	481,185	513,700
Capital projects fund	-	-	-	-
Total fund balances	3,194,435	707,500	481,185	513,700
Total liabilities and fund balances	\$ 6,698,901	1,839,346	2,050,289	1,080,365

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
40,222	732,723	1,377,122	6,738,094
3,878	-	-	60,557
317,677	-	-	6,045,226
-	-	-	75,716
-	-	100	2,010
-	-	7,712	27,548
-	-	70,339	70,339
-	26,210	963	693,188
-	-	-	533,169
<u>361,777</u>	<u>758,933</u>	<u>1,456,236</u>	<u>14,245,847</u>
-	1,875	40,787	620,996
-	-	-	56,116
-	-	-	201,222
317,677	-	-	6,045,226
3,853	-	70,339	283,052
<u>321,530</u>	<u>1,875</u>	<u>111,126</u>	<u>7,206,612</u>
-	-	-	752,489
-	-	53,397	53,397
40,247	-	-	40,247
-	-	-	18,196
-	-	-	2,423,750
-	-	1,291,713	2,994,098
-	757,058	-	757,058
<u>40,247</u>	<u>757,058</u>	<u>1,345,110</u>	<u>7,039,235</u>
<u>361,777</u>	<u>758,933</u>	<u>1,456,236</u>	<u>14,245,847</u>

Hardin County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2009

Exhibit D

Total governmental fund balances (page 15) \$ 7,039,235

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 in the governmental funds. The cost of assets is \$41,686,422 and the accumulated depreciation is \$21,238,007. 20,448,415

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 283,052

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 1,759,093

Long-term liabilities, including bonds payable, capital lease purchase agreement, compensated absences payable, accrued interest payable and drainage warrants/drainage improvement certificates payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (5,093,711)

Net assets of governmental activities (page 11) \$ 24,436,084

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,204,444	851,336	1,933,056	-
Interest and penalty on property tax	47,507	-	-	-
Intergovernmental	2,779,722	1,627,595	65,940	3,061,972
Licenses and permits	9,535	-	-	4,057
Charges for service	449,957	-	-	-
Use of money and property	215,760	-	-	-
Miscellaneous	74,213	1,920	684	80,704
Total revenues	6,781,138	2,480,851	1,999,680	3,146,733
Expenditures:				
Operating:				
Public safety and legal services	3,108,502	-	111,782	-
Physical health and social services	300,989	-	-	-
Mental health	-	1,932,986	-	-
County environment and education	719,176	-	260,018	-
Roads and transportation	-	-	119,049	5,016,100
Governmental services to residents	417,614	-	1,659	-
Administration	1,439,782	-	-	-
Non-program	52,115	-	2,541	-
Debt service	-	-	-	-
Capital projects	-	-	-	10,000
Total expenditures	6,038,178	1,932,986	495,049	5,026,100
Excess (deficiency) of revenues over (under) expenditures	742,960	547,865	1,504,631	(1,879,367)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,405,720
Operating transfers out	(303,509)	-	(1,355,720)	-
Capital lease purchase agreement	86,162	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(217,347)	-	(1,355,720)	1,405,720
Net change in fund balances	525,613	547,865	148,911	(473,647)
Fund balances beginning of year	2,668,822	159,635	332,274	987,347
Fund balances end of year	\$ 3,194,435	707,500	481,185	513,700

Debt Service	Capital Projects	Non-major Special Revenue	Total
213,433	173,265	168,420	6,543,954
-	-	-	47,507
10,221	-	98,155	7,643,605
-	-	-	13,592
-	-	7,602	457,559
-	-	36,533	252,293
-	-	8,175	165,696
<u>223,654</u>	<u>173,265</u>	<u>318,885</u>	<u>15,124,206</u>
-	-	-	3,220,284
-	-	-	300,989
-	-	-	1,932,986
-	-	8,177	987,371
-	-	-	5,135,149
-	-	2,725	421,998
-	-	-	1,439,782
-	-	80,289	134,945
462,180	-	161,140	623,320
-	106,439	85,148	201,587
<u>462,180</u>	<u>106,439</u>	<u>337,479</u>	<u>14,398,411</u>
<u>(238,526)</u>	<u>66,826</u>	<u>(18,594)</u>	<u>725,795</u>
253,509	-	-	1,659,229
-	-	-	(1,659,229)
-	-	-	86,162
-	-	79,863	79,863
<u>253,509</u>	<u>-</u>	<u>79,863</u>	<u>166,025</u>
14,983	66,826	61,269	891,820
25,264	690,232	1,283,841	6,147,415
<u>40,247</u>	<u>757,058</u>	<u>1,345,110</u>	<u>7,039,235</u>

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 (page 18) \$ 891,820

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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 433,885	
Capital assets contributed by the Iowa Department of Transportation	2,820,625	
Depreciation expense	<u>(1,293,050)</u>	1,961,460

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

Property tax	17,754	
Other	<u>73,874</u>	91,628

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. 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. Current year repayments exceeded issues, as follows:

Issued	(152,552)	
Repaid	<u>426,984</u>	274,432

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

Compensated absences	11,668	
Interest on long-term debt	<u>3,026</u>	14,694

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

532,510

Change in net assets of governmental activities (page 13) \$ 3,766,544

Hardin County
Statement of Net Assets
Proprietary Fund
June 30, 2009

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,909,093
Liabilities	
Accounts payable	<u>150,000</u>
Net Assets	
Unrestricted	<u><u>\$ 1,759,093</u></u>

Hardin County
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2009

Exhibit H

		Internal Service - Employee Group Health
Operating revenues:		
Reimbursements from operating funds	\$ 1,027,625	
Reimbursements from employees and others	509,160	
Insurance reimbursements	474,195	
Total operating revenues		2,010,980
Operating expenses:		
Medical claims	\$ 1,135,544	
Insurance premiums	222,705	
Administrative fees	69,669	
Miscellaneous	54,901	
Operating income		1,482,819
Operating income		528,161
Non-operating revenues:		
Interest income		4,349
Net income		532,510
Net assets beginning of year		1,226,583
Net assets end of year		\$ 1,759,093

Hardin County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2009

Exhibit I

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,027,625
Cash received from employees and others	983,355
Cash payments to suppliers for services	(1,482,819)
Net cash provided by operating activities	528,161
 Cash flows from investing activities:	
Interest on investments	4,349
Net increase in cash and cash equivalents	532,510
 Cash and cash equivalents beginning of year	 1,376,583
 Cash and cash equivalents end of year	 \$ 1,909,093
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 528,161
Net cash provided by operating activities	\$ 528,161

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Exhibit J

Assets

Cash and pooled investments:

County Treasurer	\$ 1,021,919
Other County officials	141,486

Receivables:

Property tax receivable:

Delinquent	285,240
Succeeding year	17,597,064

Accounts	25,916
----------	--------

Due from other governments	21,514
----------------------------	--------

Total assets	<u>19,093,139</u>
---------------------	-------------------

Liabilities

Accounts payable	13,297
------------------	--------

Due to other governments	18,906,873
--------------------------	------------

Trusts payable	157,725
----------------	---------

Compensated absences	15,244
----------------------	--------

Total liabilities	<u>19,093,139</u>
--------------------------	-------------------

Net Assets	<u>\$ -</u>
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Hardin County
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

Hardin 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 U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

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

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2009

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

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

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Solid Waste Commission, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

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.

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor special revenue 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 not paid from other funds.

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

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

Hardin County
Notes to Financial Statements
June 30, 2009

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized 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.

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 debt and acquisitions under capital leases are reported as other financing sources.

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

Hardin County
Notes to Financial Statements
June 30, 2009

(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 is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 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.

Hardin County
Notes to Financial Statements
June 30, 2009

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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.

Hardin County
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
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	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

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 property tax receivable and other receivables not collected within sixty days after year end.

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

Hardin County
Notes to Financial Statements
June 30, 2009

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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 reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and 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.

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

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

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 in certain departments exceeded the amounts appropriated prior to the re-appropriation being approved.

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

Hardin County
Notes to Financial Statements
June 30, 2009

(2) Cash and Pooled Investments (continued)

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,680 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,405,720
Debt Service	General	253,509
Total		<u>\$ 1,659,229</u>

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

(4) 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.

Hardin County
Notes to Financial Statements
June 30, 2009

(4) Pension and Retirement Benefits (continued)

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 contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$306,318, \$267,244 and \$257,039, respectively, equal to the required contributions for each year.

(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:

Fund	Description	Amount
General	Services	\$ 14,796
Special Revenue:		
Secondary Roads	Services	75
Rural Services	Services	651
Mental Health	Services	185,700
		<u>186,426</u>
Total for governmental funds		<u>\$ 201,222</u>
Agency:		
County Assessor	Collections	\$ 255,044
Schools		11,116,191
Community Colleges		1,686,172
Corporations		4,589,613
Townships		352,804
Auto License and Use Tax		349,359
E911 Surcharge		253,229
All other		304,461
Total for agency funds		<u>\$ 18,906,873</u>

Hardin County
Notes to Financial Statements
June 30, 2009

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 594,210	-	-	594,210
Construction in progress	44,280	88,508	-	132,788
Total capital assets not being depreciated	638,490	88,508	-	726,998
Capital assets being depreciated:				
Buildings and improvements	9,156,944	-	-	9,156,944
Equipment and vehicles	6,159,169	356,364	121,019	6,394,514
Infrastructure, road network	22,574,767	2,833,199	-	25,407,966
Total capital assets being depreciated	37,890,880	3,189,563	121,019	40,959,424
Less accumulated depreciation for:				
Buildings and improvements	2,158,255	203,204	-	2,361,459
Equipment and vehicles	4,128,658	478,799	97,458	4,509,999
Infrastructure, road network	13,755,502	611,047	-	14,366,549
Total accumulated depreciation	20,042,415	1,293,050	97,458	21,238,007
Total capital assets being depreciated, net	17,848,465	1,896,513	23,561	19,721,417
Governmental activities capital assets, net	\$ 18,486,955	1,985,021	23,561	20,448,415

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 158,138
Mental health	2,199
County environment and education	38,912
Roads and transportation	1,009,849
Governmental services to residents	29,403
Administration	54,549
Total depreciation expense - governmental activities	\$ 1,293,050

Hardin County
Notes to Financial Statements
June 30, 2009

(7) Long-Term Liabilities

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

	General Obligation Bonds	Capital Lease Purchase Agreement	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Total
Balance beginning of year	\$ 4,895,000	15,620	324,109	102,894	5,337,623
Increases	-	86,162	2,421	66,390	154,973
Decreases	385,000	41,984	14,088	-	441,072
Balance end of year	\$ 4,510,000	59,798	312,442	169,284	5,051,524
Due within one year	\$ 390,000	39,868	312,442	-	742,310

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a Ford F350 truck for the conservation department and six sheriff vehicles with historical costs of \$24,128 and \$123,772, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.90% to 6.65% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2009.

Year ending June 30,	Total
2010	\$ 45,065
2011	23,008
Total minimum lease payments	68,073
Less amount representing interest	8,275
Present value of net minimum lease payments	\$ 59,798

Payments under capital lease purchase agreements totaled \$45,064 for the year ended June 30, 2009.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a

Hardin County
Notes to Financial Statements
June 30, 2009

(7) Long-Term Liabilities (continued)

Drainage Warrants/Drainage Improvement Certificates Payable (continued)

landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Bonds Payable

A summary of the County's June 30, 2009 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.38 - 5.40 %	\$ 390,000	173,790	563,790
2011	3.38 - 5.40	405,000	160,244	565,244
2012	3.38 - 5.40	425,000	145,975	570,975
2013	3.38 - 5.40	440,000	130,745	570,745
2014	3.60 - 5.40	450,000	114,455	564,455
2015-2019	3.63 - 5.40	1,945,000	312,812	2,257,812
2020-2023	4.45 - 4.75	455,000	54,476	509,476
		<u>\$ 4,510,000</u>	<u>1,092,497</u>	<u>5,602,497</u>

During the year ended June 30, 2009, the County retired \$385,000 of bonds.

(8) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark

Hardin County
Notes to Financial Statements
June 30, 2009

(8) Hardin County Employee Group Health Fund (continued)

from the Hardin County Employee Group Health Fund. The County's contribution for the year ended June 30, 2009 was \$1,027,625.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,759,093 at June 30, 2009 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	150,000
Incurred claims (including claims incurred but not reported at June 30, 2009)		1,135,544
Payments on claims during the fiscal year		1,135,544
Unpaid claims end of year	<u>\$</u>	<u>150,000</u>

(9) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a new postage machine through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on April 30, 2014, May 31, 2013 and December 31, 2012, respectively. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year ending June 30,	Annual Rent Due
2010	\$ 24,300
2011	22,947
2012	13,314
2013	7,810
2014	5,500
Total	<u>\$ 73,871</u>

Hardin County
Notes to Financial Statements
June 30, 2009

(9) Operating Leases (continued)

The total annual lease costs for the year ended June 30, 2009 were \$24,050.

(10) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2009, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2009, 2008 and 2007, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2009 were \$352,413

Hardin County
Notes to Financial Statements
June 30, 2009

(10) Risk Management (continued)

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. 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 years.

Required Supplementary Information

Hardin 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	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,560,238	-
Interest and penalty on property tax	47,553	-
Intergovernmental	7,641,730	-
Licenses and permits	13,689	-
Charges for service	467,675	-
Use of money and property	258,109	-
Miscellaneous	229,290	7,147
Total receipts	<u>15,218,284</u>	<u>7,147</u>
Disbursements:		
Public safety and legal services	3,157,406	-
Physical health and social services	289,564	-
Mental health	2,051,639	-
County environment and education	989,512	-
Roads and transportation	5,145,420	-
Governmental services to residents	424,731	-
Administration	1,439,293	-
Non-program	134,984	80,289
Debt service	623,319	-
Capital projects	159,814	-
Total disbursements	<u>14,415,682</u>	<u>80,289</u>
Excess (deficiency) of receipts over (under) disbursements	802,602	(73,142)
Other financing sources, net	<u>79,863</u>	<u>79,863</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	882,465	6,721
Balance beginning of year	<u>5,855,629</u>	<u>46,676</u>
Balance end of year	<u>\$ 6,738,094</u>	<u>53,397</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,560,238	6,459,016	6,459,016	101,222
47,553	33,800	33,800	13,753
7,641,730	7,139,946	7,873,797	(232,067)
13,689	14,750	14,750	(1,061)
467,675	406,800	406,800	60,875
258,109	204,800	204,800	53,309
222,143	93,630	117,630	104,513
<u>15,211,137</u>	<u>14,352,742</u>	<u>15,110,593</u>	<u>100,544</u>
3,157,406	3,151,136	3,235,136	77,730
289,564	331,046	418,473	128,909
2,051,639	2,033,451	2,086,306	34,667
989,512	1,205,159	1,313,978	324,466
5,145,420	4,316,236	5,157,236	11,816
424,731	453,701	453,701	28,970
1,439,293	1,550,868	1,587,300	148,007
54,695	89,180	90,180	35,485
623,319	638,251	638,551	15,232
159,814	1,191,386	711,686	551,872
<u>14,335,393</u>	<u>14,960,414</u>	<u>15,692,547</u>	<u>1,357,154</u>
875,744	(607,672)	(581,954)	1,457,698
-	-	-	-
875,744	(607,672)	(581,954)	1,457,698
5,808,953	5,252,496	5,252,496	556,457
<u>6,684,697</u>	<u>4,644,824</u>	<u>4,670,542</u>	<u>2,014,155</u>

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,218,284	(98,134)	15,120,150
Expenditures	14,415,682	(66,472)	14,349,210
Net	802,602	(31,662)	770,940
Other financing sources, net	79,863	41,017	120,880
Beginning fund balances	5,855,629	291,786	6,147,415
Ending fund balances	<u>\$ 6,738,094</u>	<u>301,141</u>	<u>7,039,235</u>

Hardin County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$732,133. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the roads and transportation function prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated prior to the re-appropriation being approved.

Other Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets					
Cash and pooled investments	\$ 76,305	2	6,224	111,808	17,812
Receivables:					
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 76,305	2	6,224	111,808	17,812
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Reserved for drainage warrants/drainage improvement certificates	-	-	-	-	-
Unreserved	76,305	2	6,224	111,808	17,812
Total fund balances	76,305	2	6,224	111,808	17,812
Total liabilities and fund balances	\$ 76,305	2	6,224	111,808	17,812

State Forfeiture Funds	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
7,697	43,682	2	53,397	1,058,214	1,979	1,377,122
-	-	-	-	100	-	100
-	-	-	-	7,712	-	7,712
-	-	-	70,339	-	-	70,339
82	-	-	-	881	-	963
7,779	43,682	2	123,736	1,066,907	1,979	1,456,236
-	-	-	-	40,787	-	40,787
-	-	-	70,339	-	-	70,339
-	-	-	70,339	40,787	-	111,126
-	-	-	53,397	-	-	53,397
7,779	43,682	2	-	1,026,120	1,979	1,291,713
7,779	43,682	2	53,397	1,026,120	1,979	1,345,110
7,779	43,682	2	123,736	1,066,907	1,979	1,456,236

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2009

	Resource Enhancement and Protection	TIF Bond Payment	TIF Repayment	Pine Lake Corn Processors TIF
Revenues:				
Property and other county tax	\$ -	-	-	150,180
Intergovernmental	29,874	-	-	-
Charges for service	-	-	-	-
Use of money and property	714	-	-	-
Miscellaneous	-	-	-	-
Total revenues	30,588	-	-	150,180
Expenditures:				
Operating:				
County environment and education	8,177	-	-	-
Governmental services to residents	-	-	-	-
Non-program	-	-	-	-
Debt service	-	-	-	126,855
Capital projects	-	-	-	-
Total expenditures	8,177	-	-	126,855
Excess (deficiency) of revenues over (under) expenditures	22,411	-	-	23,325
Other financing sources:				
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	22,411	-	-	23,325
Fund balances beginning of year	53,894	2	6,224	88,483
Fund balances end of year	\$ 76,305	2	6,224	111,808

Carbo Tech TIF	State Forfeiture Funds	County Recorder's Records Management	County Recorder's Electronic Transactions	Drainage Districts	Hardin County Conservation Reserve Trust	Conservation Land Acquisition Trust	Total
18,240	-	-	-	-	-	-	168,420
-	560	-	-	-	67,721	-	98,155
-	-	3,957	-	-	3,645	-	7,602
-	-	305	-	-	35,514	-	36,533
-	-	-	-	7,147	1,028	-	8,175
18,240	560	4,262	-	7,147	107,908	-	318,885
-	-	-	-	-	-	-	8,177
-	-	2,725	-	-	-	-	2,725
-	-	-	-	80,289	-	-	80,289
34,285	-	-	-	-	-	-	161,140
-	-	-	-	-	85,148	-	85,148
34,285	-	2,725	-	80,289	85,148	-	337,479
(16,045)	560	1,537	-	(73,142)	22,760	-	(18,594)
-	-	-	-	79,863	-	-	79,863
(16,045)	560	1,537	-	6,721	22,760	-	61,269
33,857	7,219	42,145	2	46,676	1,003,360	1,979	1,283,841
17,812	7,779	43,682	2	53,397	1,026,120	1,979	1,345,110

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,692	65,329	151,011	22,880
Other County officials	141,486	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	2,224	2,465	125,888	19,890
Succeeding year	-	191,224	209,488	10,839,292	1,643,402
Accounts	2,637	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 144,123	196,140	277,282	11,116,191	1,686,172
Liabilities					
Accounts payable	-	-	9,795	-	-
Due to other governments	13,334	196,140	255,044	11,116,191	1,686,172
Trusts payable	130,789	-	-	-	-
Compensated absences	-	-	12,443	-	-
Total liabilities	\$ 144,123	196,140	277,282	11,116,191	1,686,172

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
91,947	4,308	36	2,029	349,359	46,413
-	-	-	-	-	-
132,972	1,775	26	-	-	-
4,364,694	346,721	2,243	-	-	-
-	-	-	-	-	-
-	-	-	-	-	12,944
<u>4,589,613</u>	<u>352,804</u>	<u>2,305</u>	<u>2,029</u>	<u>349,359</u>	<u>59,357</u>
-	-	-	-	-	80
4,589,613	352,804	2,305	2,029	349,359	56,476
-	-	-	-	-	-
-	-	-	-	-	2,801
<u>4,589,613</u>	<u>352,804</u>	<u>2,305</u>	<u>2,029</u>	<u>349,359</u>	<u>59,357</u>

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2009

	E911 Surcharge	Third Party Payees	Drainage Districts	Other	Total
Assets					
Cash and pooled investments:					
County Treasurer	\$ 224,802	21,385	15,546	24,182	1,021,919
Other County officials	-	-	-	-	141,486
Receivables:					
Property tax:					
Delinquent	-	-	-	-	285,240
Succeeding year	-	-	-	-	17,597,064
Accounts	23,279	-	-	-	25,916
Due from other governments	8,570	-	-	-	21,514
Total assets	\$ 256,651	21,385	15,546	24,182	19,093,139
Liabilities					
Accounts payable	\$ 3,422	-	-	-	13,297
Due to other governments	253,229	-	15,546	18,631	18,906,873
Trusts payable	-	21,385	-	5,551	157,725
Compensated absences	-	-	-	-	15,244
Total liabilities	\$ 256,651	21,385	15,546	24,182	19,093,139

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 93,064	187,126	254,494	10,283,015	1,581,400
Additions:					
Property and other county tax	-	183,064	202,664	10,402,016	1,606,025
E911 surcharge	-	-	-	-	-
State tax credits	-	8,916	7,717	495,334	74,463
Grants	-	-	-	-	-
Interest	524	-	-	-	-
Office fees and collections	2,600,615	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	589,305	-	-	-	-
Miscellaneous	-	-	131	-	-
Total additions	3,190,444	191,980	210,512	10,897,350	1,680,488
Deductions:					
Agency remittances:					
To other funds	2,466,724	-	-	-	-
To other governments	128,137	182,966	187,724	10,064,174	1,575,716
Trusts paid out	544,524	-	-	-	-
Total deductions	3,139,385	182,966	187,724	10,064,174	1,575,716
Balances end of year	\$ 144,123	196,140	277,282	11,116,191	1,686,172

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Empower- ment
4,317,143	337,798	2,819	596	336,075	-	85,512
6,246,491	332,158	1,782	-	-	-	-
-	-	-	-	-	-	-
258,850	14,909	118	-	-	-	-
-	-	-	-	-	-	238,732
-	-	-	-	-	-	700
-	-	-	-	-	-	-
-	-	-	-	4,339,439	-	-
-	-	-	-	-	106,733	-
-	-	-	15,328	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,971
6,505,341	347,067	1,900	15,328	4,339,439	106,733	242,403
-	-	-	-	145,426	41,111	-
6,232,871	332,061	2,414	13,895	4,180,729	65,622	327,915
-	-	-	-	-	-	-
6,232,871	332,061	2,414	13,895	4,326,155	106,733	327,915
4,589,613	352,804	2,305	2,029	349,359	-	-

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year ended June 30, 2009

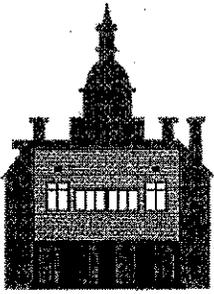
	Local Emergency Management Services	E911 Surcharge	Tax Sale Redemption Non-County	Third Party Payees
Assets and Liabilities				
Balances beginning of year	\$ 34,965	301,270	-	18,798
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	147,007	-	-
State tax credits	-	-	-	-
Grants	38,271	54,197	-	-
Interest	-	3,938	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	246,862	135,962
Miscellaneous	69,441	375	-	-
Total additions	107,712	205,517	246,862	135,962
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	83,320	250,136	246,862	-
Trusts paid out	-	-	-	133,375
Total deductions	83,320	250,136	246,862	133,375
Balances end of year	\$ 59,357	256,651	-	21,385

Drainage Districts	Other	Total
15,737	31,893	17,881,705
-	-	18,974,200
-	-	147,007
-	-	860,307
-	-	331,200
-	-	5,162
-	-	2,600,615
-	-	4,339,439
-	-	106,733
15,536	-	30,864
-	17,871	990,000
-	4,128	77,046
15,536	21,999	28,462,573
-	-	2,653,261
15,727	29,710	23,919,979
-	-	677,899
15,727	29,710	27,251,139
15,546	24,182	19,093,139

Hardin County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Ten Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 6,543,954	6,082,069	5,811,152	5,210,970
Interest and penalty on property tax	47,507	42,934	39,494	38,510
Intergovernmental	7,643,605	6,494,968	6,744,867	6,900,497
Licenses and permits	13,592	18,901	10,340	8,167
Charges for service	457,559	468,832	454,697	487,803
Use of money and property	252,293	347,759	364,731	245,267
Miscellaneous	165,696	204,634	142,023	191,215
Total	\$ 15,124,206	13,660,097	13,567,304	13,082,429
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,220,284	3,044,804	3,032,813	2,885,183
Physical health and social services	300,989	261,448	285,423	285,407
Mental health	1,932,986	2,003,263	1,875,028	1,804,829
County environment and education	987,371	805,515	802,147	1,341,057
Roads and transportation	5,135,149	4,105,451	4,032,563	4,666,208
Governmental services to residents	421,998	424,006	370,894	382,062
Administration	1,439,782	1,359,171	1,403,430	1,201,490
Non-program	134,945	63,070	78,542	201,437
Debt service	623,320	597,781	585,589	521,988
Capital projects	201,587	422,541	599,160	137,082
Total	\$ 14,398,411	13,087,050	13,065,589	13,426,743

Modified Accrual Basis					
2005	2004	2003	2002	2001	2000
4,472,523	5,029,708	4,972,117	4,690,710	4,140,568	4,248,116
38,758	41,442	38,503	39,035	33,697	49,959
5,625,385	5,580,865	5,549,483	5,123,231	5,543,408	4,374,470
7,212	4,203	5,950	5,561	4,051	2,890
424,210	455,355	427,616	428,106	329,073	340,458
153,148	167,378	238,403	304,854	548,744	635,936
160,412	221,207	234,694	360,817	198,289	284,640
10,881,648	11,500,158	11,466,766	10,952,314	10,797,830	9,936,469
2,613,136	2,610,147	2,646,807	2,389,905	2,263,138	1,558,579
287,207	279,862	312,188	488,670	493,597	477,177
1,726,207	1,597,490	1,678,845	1,738,644	1,599,676	1,521,400
656,683	704,672	719,988	566,252	515,204	474,262
4,526,263	4,008,562	4,834,721	3,735,560	3,915,504	2,970,748
308,862	305,226	287,908	301,089	294,337	253,496
1,079,749	1,065,655	1,046,562	914,589	900,362	862,699
226,005	1,746,781	529,323	84,214	57,881	248,610
430,939	434,295	436,286	478,235	590,871	308,246
57,300	83,579	398,474	845,131	566,493	4,808,538
11,912,351	12,836,269	12,891,102	11,542,289	11,197,063	13,483,755



BOWMAN & MILLER, P.C.

C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-278-0286 • FAX 515-278-0287

James R. Bowman, CPA • jim@bowmanandmillerpc.com
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' 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 Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin 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 December 18, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Hardin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hardin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hardin 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 a deficiency in internal control over financial reporting that we consider to be significant deficiency including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hardin County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hardin County's financial statements that is more than inconsequential will not be prevented or detected by Hardin County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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 Hardin 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-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 III of the accompanying Schedule of Findings and Questioned Costs.

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

Hardin County's responses to 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 Hardin 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 Hardin County and other parties to whom Hardin 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 Hardin 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.

Bowman and Miller, P.C.

December 18, 2009

Hardin County
Schedule of Findings
Year ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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.

Hardin County
Schedule of Findings
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

II-A-09 Segregation of Duties - During our review of the internal control structure, the existing control 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.	Recorder
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.	Recorder

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 initials or signature of the reviewer and the date of the review.

Hardin County
Schedule of Findings
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Response – Currently there are only two employees in the Recorder’s Office: the Recorder and the Deputy Recorder.

- (1) Incoming mail is opened by the Deputy Recorder. It is sorted into three areas; recordings, boats/snows/ATVs and vital records. There is no accounting made at this time for cash and checks received. Recordings are passed on to the Recorder; the Deputy keeps the boats/snows/ATVs and vital records. All monies are processed through the cash register daily, either at the end of the day (recording fees and transfer taxes); or during the course of the day (boats/snows/ATVs, certified copies, Xerox copies, plat books, passports, etc.).

In conjunction with all money being processed through the cash register, the office now does a daily deposit. One “Fee Report” is done at the end of the day; a second “Fee Report” is done the next morning, at the time the daily deposit is prepared. Typically the Recorder prepares the daily deposit. If the reports and the deposits do not match, the Recorder proceeds to locate the discrepancy and if necessary, the Deputy “double checks” all monies and the fee report.

- (2) The Recorder is responsible for reconciling the bank account. The Recorder also handles cash, though the recording fees are most typically paid by check or charge-to-account.
- (3) This has not been resolved, and is nearly impossible with only two employees in the office. Typically fewer than six checks per month are written off of the Recorder’s account.

Through a budget addition for 2009-2010, the process of adding one part-time person has begun. A position “sharing” between our office and another may be feasible. Until this is accomplished, the checks and balances established are the best I can do at this point.

Conclusion -- Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-09 Certified Budget -- Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the roads and transportation function prior to a budget amendment by the Board of Supervisors.

Although the Board of Supervisors acted to increase appropriations to certain departments, the appropriation changes were made after disbursements had exceeded the appropriations.

Hardin County Schedule of Findings Year ended June 30, 2009

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

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 function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will work to monitor both of these items more carefully in this fiscal year.

Conclusion – Response accepted.

III-B-09 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

III-D-09 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Mesch, maintenance director of the County, owner of J&C Enterprises	Cleaning services for the courthouse	\$ 30,320

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

III-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

Hardin County
Schedule of Findings
Year ended June 30, 2009

- III-G-09 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- III-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).
- III-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.

Hardin County
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal
Lori H. Stansberry, CPA, Principal