

HOWARD COUNTY

Cresco, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

HOWARD COUNTY, IOWA
Cresco, Iowa

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HOWARD COUNTY
Cresco, Iowa

OFFICIALS

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Don Burnikel.....	Board of Supervisors	January 2011
Janet McGovern.....	Board of Supervisors	January 2011
Mary Jo Wilhelm.....	Board of Supervisors	January 2009
Mick Gamez.....	County Auditor.....	January 2009
Warren Steffen.....	County Treasurer	January 2011
Cherri Caffrey.....	County Recorder	January 2011
Mark Grinhaug.....	County Sheriff.....	January 2009
Joseph Haskovec.....	County Attorney.....	January 2011
Thomas Mullen.....	County Assessor.....	Appointed

(After January 2009)

Don Burnikel.....	Board of Supervisors	January 2011
Janet McGovern.....	Board of Supervisors	January 2011
Mick Gomez.....	Board of Supervisors	January 2013
Julie Chapman.....	County Auditor.....	January 2013
Warren Steffen.....	County Treasurer	January 2011
Cherri Caffrey.....	County Recorder	January 2011
Morris Miner.....	County Sheriff.....	January 2013
Joseph Haskovec.....	County Attorney.....	January 2011
Thomas Mullen.....	County Assessor.....	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Howard County
Cresco, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Howard 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 Howard 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 March 25, 2010 on our consideration of Howard 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 – 10 and 39 – 41 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 Howard County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

March 25, 2010

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Howard County provides this Management's Discussion and Analysis of Howard County's annual financial statements. This narrative overview and analysis of the financial activities of Howard County 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 approximately 17% or approximately \$1,564,380 from fiscal 2008 to fiscal 2009. Property and other County taxes increased approximately \$82,745, Operating & Capital Grants, Contributions & Restricted Interest increased approximately \$1,382,973 and Charges for Service increased approximately \$5,237.
- Program expenses of the County's governmental activities were 1% or approximately \$100,021 more in fiscal 2009 than in fiscal 2008. Roads and Transportation expense increased approximately \$35,773 and Government Services to Residents expenses increased approximately \$62,773.
- The County's net assets increased 22%; approximately \$2,068,500 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 Howard 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 Howard 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 the County acts solely as an agent or custodian for the benefit of those outside of the 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.

USING THIS ANNUAL REPORT (Continued)

Other Supplementary Information provides detailed information about the nonmajor governmental 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 event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed 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, government services to residents, administration, interest on long-term debt and non-program activities. Property taxes 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

Fund Financial Statements (Continued)

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 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 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. The County's combined net assets increased from \$9,134,302 to \$11,202,802. The analysis below focuses on net assets and changes in net assets of governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30	
	2009	2008
Current and Other Assets	\$7,501	\$6,251
Capital Assets	8,674	7,467
Total Assets	<u>16,175</u>	<u>13,718</u>
Long-Term Debt Outstanding	675	336
Other Liabilities	4,297	4,248
Total Liabilities	<u>4,972</u>	<u>4,584</u>
Net Assets:		
Invested in Capital Assets, Net of debt	8,273	7,131
Restricted	1,913	837
Unrestricted	<u>1,017</u>	<u>1,166</u>
Total Net Assets	<u>\$11,203</u>	<u>\$9,134</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net assets of the County's governmental activities increased by approximately 22%, (from \$9.13 to \$11.2 Million) the largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$1,166,261 at June 30, 2008 to approximately \$1,016,737 at the end of this year, a decrease of 13%.

Changes in Net Assets of Governmental Activities

(Expressed in Thousands)

	Year Ended June 30,	
	2009	2008
Program Revenues:		
Charges for service and sales	\$743	\$738
Operating grants and contributions	2,775	2,984
Capital grants and contributions	2,686	1,094
Property taxes	3,342	3,173
Unrestricted investments earnings	67	142
Other general revenues	962	879
Total revenues	<u>10,575</u>	<u>9,010</u>
Program Expenses:		
Public safety and legal services	1,051	1,173
Physical health and social services	397	398
Mental health	1,254	1,246
County environment and education	879	793
Roads and transportation	3,706	3,671
Government services to residents	325	262
Administration or general government	823	797
Non-program	56	51
Interest on long-term debt	15	15
Total expenses	<u>8,506</u>	<u>8,406</u>
Increase in net assets	2,069	604
Net assets beginning of year	<u>9,134</u>	<u>8,530</u>
Net assets end of year	<u>\$11,203</u>	<u>\$9,134</u>

The County's revenue increased approximately 17% or \$1,564,380. The total cost of programs and services increased 1%, or \$100,021, with no new programs added this year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Howard County completed the year, its governmental funds reported a combined fund balance of \$3.3 million, which is higher than last year's total by \$1,107,234. The \$3.3 million balance is 34% of the budgeted expenditures for the 2009 fiscal year. The following are the major reasons for the changes in fund balances from the prior year.

The combined ending fund balance of the General and General Supplemental funds was slightly lower. One primary reason for this is that the departments used all of the allocated budgets and there was less revenue brought in than anticipated.

The balance in the Mental Health Funds was slightly higher than 2008 due to less expenditures due to reducing services.

The Rural Services fund expenditures and revenue were slightly higher than 2008, however, the departments did not use all of their budget appropriations.

The Secondary Road fund ended the year with a higher balance due to FEMA. We started 2009 with a lower beginning balance but we were awarded FEMA dollars.

The Capital Projects Fund was considerably higher due to the new bridge at Lake Hendricks Park.

The Debt Service fund was set up to pay the loan from the Cresco Union Bank for the New County Shop. This fund runs fairly consistent year to year, being it is for a loan payment.

BUDGETARY HIGHLIGHTS

The budget was amended on April 27, 2009 with an increase to revenues due to FEMA and County Loans. There was an increase in expenditures due to FEMA, Lake Hendricks Bridge Project, computers and various department expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the County had \$13,036,316 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1,625,895 or 14% over last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets at Year End of Governmental Activities

(Expressed in Thousands)

	Year Ended June 30,	
	2009	2008
Land	\$1,336	\$1,336
Buildings and Improvements	2,319	2,319
Equipment	3,548	3,396
Infrastructure	4,551	4,325
Construction in Progress	1,282	34
Total	<u>\$13,036</u>	<u>\$11,410</u>

This year's major additions include (expressed in thousands)

Infrastructure – Construction in Progress	\$1,206
Infrastructure	226
Secondary Roads Vehicles	47
Sheriff Vehicles	41
Automark Ballot Markers	61
Conservation Equipment	62
	<u>\$1,643</u>

The County had depreciation expense of \$519,067 for the year ended June 30, 2009 and total accumulated depreciation as of June 30, 2009 of \$4,362,083.

Debt Administration

At year end, the County had \$954,036 in debt compared to \$658,061 in notes and other debt last year as shown below.

Outstanding Debt at Year-End of Governmental Activities

	(Expressed in Thousands)	
	2009	2008
Notes Payable	\$675	\$336
Compensated Absences	279	322
	<u>\$954</u>	<u>\$658</u>

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. The County's outstanding general obligation debt is significantly below this \$28.43 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County begins the 2010 fiscal year with a balance of 29% when compared to expected expenditures. This balance indicates departments were utilizing more of their budgets and trying to be fiscally responsible. Increased expenses for 2010 will include an increase in workman's compensation insurance, salary increases, and debt payment for new county shop, replacement costs of Conservation Bridge and Debt payments on new truck and pickup for Secondary Roads.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 137 N Elm St., Cresco, IA 52136 or go to our website at www.co.howard.ia.us.

**HOWARD COUNTY
Cresco, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2009**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,158,076
Receivables:	
Property Tax:	
Delinquent	2,503
Succeeding Year	3,508,594
Interest & Penalty On Property Tax	8
Accounts	52,461
Accrued Interest	6,722
Due From Other Governments	268,187
Notes Receivable	221,229
Inventories	215,860
Prepaid Insurance	67,040
Capital Assets (Net of Accumulated Depreciation)	8,674,233
TOTAL ASSETS	16,174,913
LIABILITIES	
Accounts Payable	241,467
Accrued Interest Payable	2,373
Salaries and Benefits Payable	134,536
Due to Other Governments	131,105
Deferred Revenue:	
Succeeding Year Property Tax	3,508,594
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Notes	66,684
Compensated Absences	279,176
Portion Due or Payable After One Year:	
General Obligation Notes	608,176
TOTAL LIABILITIES	4,972,111
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,273,279
Restricted For:	
Mental Health Purposes	90,323
Secondary Roads Purposes	842,910
Debt Service	3,888
Capital Projects	209,520
Other Purposes	766,145
Unrestricted	1,016,737
TOTAL NET ASSETS	\$11,202,802

See Notes To Financial Statements

**HOWARD COUNTY
Cresco, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

	Expenses	Charges for Service	Program Revenues		Net (Expense) Revenue and Change in Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety & Legal Services	\$1,051,244	\$181,656	\$1,800	\$50,000	\$(817,788)
Physical Health & Social Services	397,045	6,230	46,058	0	(344,757)
Mental Health	1,253,529	133,434	804,603	0	(315,492)
County Environment & Education	879,294	104,874	30,794	204,329	(539,297)
Roads & Transportation	3,706,178	27,058	1,891,899	2,371,111	583,890
Governmental Services to Residents	325,028	124,329	0	60,500	(140,199)
Administration	822,772	102,573	0	0	(720,199)
Non-program	55,729	62,622	0	0	6,893
Interest on Long-Term Debt	14,744	0	0	0	(14,744)
Total	\$8,505,563	\$742,776	\$2,775,154	\$2,685,940	(2,301,693)

GENERAL REVENUES:

Property & Other County Tax Levied For:	
General Purposes	3,208,437
Debt Service	47,105
Penalty & Interest on Property Tax	43,081
State Tax Credits	209,226
Local Option Sales Tax	522,505
Unrestricted Investment Earnings	66,694
Miscellaneous	197,841
Tax Increment Financing Revenue	86,104
Loss on Disposal of Capital Assets	(10,800)
TOTAL GENERAL REVENUES	4,370,193

CHANGE IN NET ASSETS	2,068,500
NET ASSETS, BEGINNING OF YEAR	9,134,302
NET ASSETS, END OF YEAR	\$11,202,802

See Notes To Financial Statements

HOWARD COUNTY

Cresco, Iowa

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2009

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$1,044,940	\$233,190	\$357,498
Receivables:			
Property Tax:			
Delinquent	1,808	278	366
Succeeding Year	2,200,913	337,395	907,946
Interest & Penalty on Property Tax	8	0	0
Accounts	35,260	15,125	621
Accrued Interest	5,956	0	0
Due From Other Governments	27,879	0	68,162
Note Receivable	180,552	0	0
Inventories	0	0	0
Prepaid Insurance	67,040	0	0
TOTAL ASSETS	\$3,564,356	\$585,988	\$1,334,593
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$31,223	\$19,254	\$18,509
Salaries & Benefits Payable	59,044	7,911	8,403
Due To Other Governments	0	131,105	0
Deferred Revenue:			
Succeeding Year Property Tax	2,200,913	337,395	907,946
Other	2,152	276	366
Total Liabilities	2,293,332	495,941	935,224
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Note Receivable	180,552	0	0
Unreserved, Reported In:			
General Fund	1,090,472	0	0
Special Revenue Funds	0	90,047	399,369
Capital Projects Fund	0	0	0
Total Fund Balances	1,271,024	90,047	399,369
TOTAL LIABILITIES & FUND BALANCES	\$3,564,356	\$585,988	\$1,334,593

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>				
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$777,218	\$3,837	\$211,168	\$371,488	\$2,999,339
0	51	0	0	2,503
0	62,340	0	0	3,508,594
0	0	0	0	8
1,200	0	0	255	52,461
11	0	47	627	6,641
172,146	0	0	0	268,187
40,677	0	0	0	221,229
215,860	0	0	0	215,860
0	0	0	0	67,040
<u>\$1,207,112</u>	<u>\$66,228</u>	<u>\$211,215</u>	<u>\$372,370</u>	<u>\$7,341,862</u>
\$158,970	\$0	\$1,695	\$5,960	\$235,611
59,178	0	0	0	134,536
0	0	0	0	131,105
0	62,340	0	0	3,508,594
19,297	51	0	0	22,142
<u>237,445</u>	<u>62,391</u>	<u>1,695</u>	<u>5,960</u>	<u>4,031,988</u>
215,860	0	0	0	215,860
0	3,837	0	0	3,837
0	0	0	0	180,552
0	0	0	0	1,090,472
753,807	0	0	366,410	1,609,633
0	0	209,520	0	209,520
<u>969,667</u>	<u>3,837</u>	<u>209,520</u>	<u>366,410</u>	<u>3,309,874</u>
<u>\$1,207,112</u>	<u>\$66,228</u>	<u>\$211,215</u>	<u>\$372,370</u>	<u>\$7,341,862</u>

HOWARD COUNTY
Cresco, Iowa

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

Total Governmental Fund Balances (Pages 13-14) \$3,309,874

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 funds. The cost of the assets is \$13,036,316 and the accumulated depreciation is \$4,362,083. 8,674,233

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 22,142

The Internal Service Fund is used by management to charge the costs of funding the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 152,962

Long-term liabilities, including notes payable, accrued interest payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (956,409)

Net Assets of Governmental Activities (Page 11) \$11,202,802

See Notes to Financial Statements

HOWARD COUNTY
Cresco, Iowa

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

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$1,956,455	\$341,179	\$1,432,474
Interest & Penalty on Property Tax	43,081	0	0
Intergovernmental	562,179	826,312	64,359
Licenses & Permits	3,850	0	0
Charges for Services	315,822	133,435	0
Use of Money & Property	116,898	0	0
Miscellaneous	78,198	17,294	621
Total Revenues	3,076,483	1,318,220	1,497,454
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	831,293	0	253,746
Physical Health & Social Services	387,126	0	0
Mental Health	0	1,249,311	0
County Environment & Education	518,605	0	289,694
Roads & Transportation	0	0	150,804
Governmental Services to Residents	286,669	0	1,846
Administration	815,453	0	0
Non-program	465	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	2,839,611	1,249,311	696,090
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,872	68,909	801,364
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Operating Transfers Out	(139,473)	0	(795,423)
General Obligation Capital Loan Notes	0	0	0
Total Other Financing Sources (Uses)	(139,473)	0	(795,423)
Net Change in Fund Balances	97,399	68,909	5,941
Fund Balances – Beginning of Year	1,207,139	21,138	393,428
Decrease in Reserve For Notes Receivable	(33,514)	0	0
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$1,271,024	\$90,047	\$399,369

See Notes To Financial Statements

Exhibit E

Special Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$0	\$47,079	\$0	\$86,103	\$3,863,290
0	0	0	0	43,081
2,832,444	2,967	0	28,608	4,316,869
5,605	0	0	0	9,455
32	0	0	3,820	453,109
500	174	559	3,560	121,691
101,702	0	1,067	48,694	247,576
2,940,283	50,220	1,626	170,785	9,055,071
0	0	0	72	1,085,111
0	0	0	9,768	396,894
0	0	0	0	1,249,311
0	0	0	86,379	894,678
3,228,891	0	0	0	3,379,695
0	0	0	24,505	313,020
0	0	0	49,321	864,774
0	0	0	2,786	3,251
0	49,939	0	0	49,939
0	0	42,222	0	42,222
3,228,891	49,939	42,222	172,831	8,278,895
(288,608)	281	(40,596)	(2,046)	776,176
861,063	0	103	73,833	934,999
0	0	0	(103)	(934,999)
125,000	0	250,000	0	375,000
986,063	0	250,103	73,730	375,000
697,455	281	209,507	71,684	1,151,176
282,640	3,556	13	294,726	2,202,640
0	0	0	0	(33,514)
(10,428)	0	0	0	(10,428)
\$969,667	\$3,837	\$209,520	\$366,410	\$3,309,874

**HOWARD COUNTY
Cresco, Iowa**

**RECONCILIATION 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 – 17) **\$1,117,662**

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

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

Expenditures for Capital Assets	\$245,444	
Capital Assets Contributed by the Iowa Department of Transportation	1,431,269	
Capital Assets Contributed by Others	60,500	
Depreciation Expense	<u>(519,067)</u>	1,218,146

In the Statement of Activities, the loss on the disposal of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (10,800)

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 Taxes	860	
Other	<u>13,768</u>	14,628

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 issuances exceeded repayments as follow:

Issued	(375,000)	
Repaid	<u>36,415</u>	(338,585)

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 governmental funds as follows:

Compensated Absences	42,610	
Interest on Long-Term Debt	<u>(1,220)</u>	41,390

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. (10,428)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 36,487

Change in Net Assets of Governmental Funds (Page – 12) **\$2,068,500**

See Notes to Financial Statements

**HOWARD COUNTY
Cresco, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009**

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$158,737
Receivables:	
Accrued Interest	81
<hr/>	
TOTAL ASSETS	\$158,818
<hr/>	
LIABILITIES	
Accounts Payable	5,856
<hr/>	
NET ASSETS	
Unrestricted	\$152,962
<hr/>	

See Notes To Financial Statements

HOWARD COUNTY
Cresco, Iowa

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

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$527,948
Reimbursements From Employees	83,338
Insurance Reimbursements	450
Total Operating Revenues	611,736
OPERATING EXPENSES:	
Medical Claims	71,169
Insurance Premiums	498,616
Administrative Fees	6,233
Miscellaneous	450
Total Operating Expenses	576,468
Operating Income	35,268
NON-OPERATING REVENUES:	
Interest on Investments	1,219
Net Income	36,487
Net Assets Beginning of Year	116,475
Net Assets End of Year	\$152,962

See Notes To Financial Statements

**HOWARD COUNTY
Cresco, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$527,948
Cash Received From Employees & Others	83,788
Cash Paid to Suppliers for Services	(576,814)
Net Cash Provided by Operating Activities	34,922
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	1,264
Net Increase in Cash & Cash Equivalents	36,186
Cash & Cash Equivalents at Beginning of Year	122,551
Cash & Cash Equivalents at End of Year	\$158,737
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$35,268
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Payable	(346)
Net Cash Provided by Operating Activities	\$34,922

See Notes To Financial Statements

HOWARD COUNTY
Cresco, Iowa

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

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$884,934
Other County Officials	12,035
Receivables:	
Property Tax:	
Delinquent	60
Succeeding Year	8,303,591
Accounts	286
Accrued Interest	295
Assessments	86,476
TOTAL ASSETS	9,287,677

LIABILITIES

Accounts Payable	391
Salaries & Benefits Payable	9,287
Due To Other Governments	9,246,483
Trusts Payable	8,720
Compensated Absences	22,796
TOTAL LIABILITIES	9,287,677

NET ASSETS	\$0
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See Notes To Financial Statements

HOWARD COUNTY
Cresco, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Howard 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, Howard 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 Howard 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 that 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.

Seven 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 Howard 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 Howard County Auditor's Office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Howard County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Howard County Assessor's Conference Board, Howard County Emergency Management Commission, and Howard County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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.

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 that are 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 other nonmajor governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The 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.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under capital leases are reported as other financing sources.

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

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 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 expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	30-50
Equipment	2-20
Vehicles	3-10

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary 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 absence 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 the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

Net Assets – The net assets of the 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 did not exceed amounts budgeted, however disbursements in the Medical Examiner department exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

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

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,000, 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 year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Note 3: Inter-fund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Conservation Special Projects	General Basic	\$73,833
Special Revenue:		
Secondary Roads	General Basic	65,640
Secondary Roads	Rural Services	795,423
Lake Hendricks Bridge	Conservation Special Projects	103
		<u> </u>
Total		<u>\$934,999</u>

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

Notes to Financial Statements (Continued)

Note 4: 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	\$1,336,210	\$0	\$0	\$1,336,210
Construction in Progress	33,870	1,247,835	0	1,281,705
Total Capital Assets, Not Being Depreciated	1,370,080	1,247,835	0	2,617,915
Capital Assets, Being Depreciated:				
Buildings	2,109,700	0	0	2,109,700
Improvements Other Than Buildings	209,536	0	0	209,536
Machinery & Equipment	3,396,036	263,722	111,318	3,548,440
Infrastructure	4,325,069	225,656	0	4,550,725
Total Capital Assets, Being Depreciated	10,040,341	489,378	111,318	10,418,401
Less Accumulated Depreciation For:				
Buildings	760,200	31,226	0	791,426
Improvements Other Than Buildings	13,142	8,181	0	21,323
Machinery & Equipment	2,403,701	211,418	100,518	2,514,601
Infrastructure	766,491	268,242	0	1,034,733
Total Accumulated Depreciation	3,943,534	519,067	100,518	4,362,083
Total Capital Assets Being Depreciated, Net	6,096,807	(29,689)	10,800	6,056,318
Governmental Activities Capital Assets, Net	\$7,466,887	\$1,218,146	\$10,800	\$8,674,233
Depreciation expense was charged to the following functions:				
Public Safety & Legal Services				\$38,856
Mental Health				2,590
County Environment & Education				47,725
Roads & Transportation				396,471
Government Services to Residents				18,659
Administration				14,766
Total Depreciation Expense – Governmental Activities				\$519,067

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	<u>\$131,105</u>
Total for Governmental Funds		<u>\$131,105</u>
Agency:		
Agricultural Extension	Collections	\$115,243
Assessor		188,168
Schools		5,162,748
Community Colleges		380,380
Corporations		2,051,315
Auto License & Use Tax		192,995
All Others		<u>1,155,634</u>
Total for Agency Funds		<u>\$9,246,483</u>

Note 6: Changes in Long-Term Liabilities

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

	<u>Compensated Absences</u>	<u>Capital Loan Notes</u>	<u>Total</u>
Beginning Balance	\$321,786	\$336,275	\$658,061
Increases	0	375,000	375,000
Decreases	42,610	36,415	79,025
Ending Balance	<u>\$279,176</u>	<u>\$674,860</u>	<u>\$954,036</u>
Due Within One Year	<u>\$279,176</u>	<u>\$66,684</u>	<u>\$345,860</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

Notes Payable

During the fiscal year ended June 30, 2007, the County issued \$400,000 of General Obligation Capital Loan Notes. The notes were issued to provide funds to pay costs of improvements at the Howard County Secondary Roads Shop. Semiannual payments, June 1 and December 1, commencing December 1, 2006 are required through June 1, 2016. Interest payments are semiannual at a fixed rate of 4.15% per annum. The following is a schedule of future payments in effect at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$37,884	\$12,055	\$49,939
2011	39,472	10,467	49,939
2012	41,127	8,812	49,939
2013	42,852	7,087	49,939
2014	44,648	5,290	49,938
2015-2016	93,877	4,886	98,763
	<u>\$299,860</u>	<u>\$48,597</u>	<u>\$348,457</u>

During the fiscal year ended June 30, 2009, the County issued \$250,000 of General Obligation Capital Loan Notes, series 2009A. The notes were issued to pay the costs of construction of a new bridge serving Lake Hendrichs Park with an 8 foot pedestrian crossing. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2019 for interest at a rate of 3.65%. Annual principal payments are due on June 1, 2010 through June 1, 2019. The following is a schedule of future payments in effect at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$17,500	\$11,026	\$28,526
2011	20,500	8,486	28,986
2012	22,500	7,738	30,238
2013	23,000	6,917	29,917
2014	24,500	6,077	30,577
2015-2019	142,000	16,151	158,151
	<u>\$250,000</u>	<u>\$56,395</u>	<u>\$306,395</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

During the year ended June 30, 2009, the County issued \$100,000 of General Obligation Capital Loan Notes, series 2009B. The notes were issued for the purpose of paying the costs of acquisition of a snow plow truck for the Secondary Road Department. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2019 for interest at a rate of 3.65%. Annual principal payments are due on June 1, 2010 through June 1, 2019. The following is a schedule of future payments in effect at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$7,000	\$4,410	\$11,410
2011	8,500	3,395	11,895
2012	9,000	3,084	12,084
2013	8,750	2,756	11,506
2014	9,750	2,436	12,186
2015-2019	57,000	6,488	63,488
	<u>\$100,000</u>	<u>\$22,569</u>	<u>\$122,569</u>

During the year ended June 30, 2009, the County issued \$25,000 of General Obligation Capital Loan Notes, series 2009C. The notes were issued for the purpose of paying the costs of the acquisition of a pickup truck for the Secondary Road Department. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2014 for interest at a rate of 3.25%. Annual principal payments are due on June 1, 2010 through June 1, 2014. The following is a schedule of future payments in effect at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$4,300	\$984	\$5,284
2011	4,800	672	5,472
2012	5,100	517	5,617
2013	5,300	351	5,651
2014	5,500	179	5,679
	<u>\$25,000</u>	<u>\$2,703</u>	<u>\$27,703</u>

The County was in compliance in the issuance of these notes.

Notes to Financial Statements (Continued)

Note 7: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$179,666, \$165,408 and \$150,389, respectively, equal to the required contributions for each year.

Note 8: Risk Management

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

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were \$91,324.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$3,000,000 and \$20,000, respectively, with an additional \$30,000 for the Treasurer's 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 fiscal years.

Note 9: Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of deductibles of the County's health insurance benefit plan. This plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Group Benefits.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Midwest Group Benefits from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2009 were \$527,948.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$5,856, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve had a balance of \$152,962 at June 30, 2009 and is reported as a designation of the Internal Service, Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Note 10: Tax Increment Financing

On June 21, 1993, Howard County entered into a Development and Assessment Agreement with Featherlite Manufacturing. In the agreement, the County agreed to loan Featherlite Manufacturing \$400,000 for the construction of a corporate headquarters building in the County. The loan will be repaid with 7% interest over a twenty year period using the incremental tax revenues generated by property taxes on the new facilities.

Note 11: Closure and Postclosure Care Cost

Howard County has contracted with the Winneshiek County Area Solid Waste Agency. The purpose of the Agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated within each member. In performing its duties, the Agency may contract with and expend funds from federal, state and local agencies and private individuals and corporations.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the Agency to submit a closure and postclosure plant detailing the schedule for the methods by which the operator will meet the conditions for proper closure and postclosure. The Agency is in compliance with this requirement. On June 30, 2009, Howard County did not anticipate any additional assessment for closure and postclosure costs.

Note 12: Business Transactions

Business transactions between the County and County officials or employees were noted.

Notes to Financial Statements (Continued)

Note 13: Secondary Road Notes Receivable

In April 2007, the County entered into a 28E agreement with the City of Chester for an HMA resurfacing project. The agreement states that the City of Chester will be fiscally responsible for one half of the Division V project costs to be remitted from Howard County's Farm to Market account. The City shall reimburse Howard County over a period of not to exceed 5 years. The HMA resurfacing project was completed during the fiscal year ended June 30, 2008 and a repayment schedule was established in October 2008. The City of Chester made the first of 5 annual installments of \$4,915.26 on November 12, 2008, with the remaining balance of \$19,661 established as a note receivable in the Secondary Road Fund.

In April 2007, the County entered into a 28E agreement with the City of Lime Springs for an HMA resurfacing project. The agreement states that the City of Lime Springs will be fiscally responsible for one half of the Division III project costs to be remitted from Howard County's Farm to Market account. The City shall reimburse Howard County over a period of not to exceed 5 years. The HMA resurfacing project was completed during the fiscal year ended June 30, 2008 and a repayment schedule was established in October 2008. The City of Lime Springs made the first of 5 annual installments of \$5,253.45 on October 30, 2008 with the remaining balance of \$21,016 established as a note receivable in the Secondary Roads Fund.

Note 14: Subsequent Event

During the year ended June 30, 2009, the County issued \$29,700 and \$32,700 of Limited Tax Anticipation Bonds on behalf of Howard Center Township and Vernon Center Township, respectively. The Bonds were issued for the purpose of paying costs of the purchase of new fire equipment. The Bonds represent a liability of the County, but the principal and interest will be paid with township taxes as they are collected. Proceeds of the debt and the purchase of the equipment occurred in fiscal 2010. The Bond resolutions require semiannual interest payments commencing December 1, 2009 at a rate of 4.25%, annual principal payments commence June 1, 2010, maturing on June 1, 2019 and June 1, 2016, respectively.

HOWARD COUNTY
Cresco, Iowa

**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	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$3,831,836	\$0	\$3,831,836	\$3,773,165	\$3,828,917	\$2,919
Interest & Penalty on Property Tax	43,100	0	43,100	26,254	26,254	16,846
Intergovernmental	4,288,641	0	4,288,641	3,175,734	4,540,224	(251,583)
Licenses & Permits	8,155	0	8,155	4,350	4,350	3,805
Charges for Services	451,061	0	451,061	440,290	429,964	21,097
Use of Money & Property	128,507	0	128,507	170,969	145,598	(17,091)
Miscellaneous	205,634	6,932	198,702	198,361	215,221	(16,519)
Total Receipts	8,956,934	6,932	8,950,002	7,789,123	9,190,528	(240,526)
DISBURSEMENTS:						
Public Safety & Legal Services	1,082,236	0	1,082,236	1,131,713	1,264,358	182,122
Physical Health & Social Services	389,596	0	389,596	466,863	485,449	95,853
Mental Health	1,312,516	0	1,312,516	1,356,176	1,401,100	88,584
County Environment & Education	890,489	0	890,489	952,732	1,193,208	302,719
Roads & Transportation	3,582,364	0	3,582,364	2,918,553	3,637,940	55,576
Governmental Services to Residents	312,612	0	312,612	314,131	337,244	24,632
Administration Services	866,460	0	866,460	875,257	901,127	34,667
Non-program	3,251	2,786	465	1,000	1,000	535
Debt Service	49,939	0	49,939	49,940	49,941	2
Capital Projects	42,488	0	42,488	39,387	250,000	207,512
Total Disbursements	8,531,951	2,786	8,529,165	8,105,752	9,521,367	992,202
Excess (Deficiency) of Receipts Over (Under) Disbursements	424,983	4,146	420,837	(316,629)	(330,839)	751,676
Other Financing Sources, Net	375,000	0	375,000	30	375,030	(30)
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	799,983	4,146	795,837	(316,599)	44,191	751,646
Balance Beginning of Year	2,199,356	18,400	2,180,956	2,180,957	2,180,957	(1)
Balance End of Year	\$2,999,339	\$22,546	\$2,976,793	\$1,864,358	\$2,225,148	\$751,645

See Accompanying Independent Auditors' Report

HOWARD COUNTY
Cresco, Iowa

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2009

	Governmental Fund		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$8,956,934	\$98,137	\$9,055,071
Expenditures	8,531,951	(253,056)	8,278,895
Net	424,983	351,193	776,176
Other Financing Sources, Net	375,000	0	375,000
Beginning Fund Balances	2,199,356	3,284	2,202,640
Decrease in Reserve For:			
Notes Receivable	0	(33,514)	(33,514)
Inventories	0	(10,428)	(10,428)
Ending Fund Balances	\$2,999,339	\$310,535	\$3,309,874

See Accompanying Independent Auditors' Report

**Howard County
Cresco, Iowa**

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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,415,615. 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 did not exceed the amounts budgeted, however, disbursements in the Medical Examiner's department exceeded the amounts appropriated.

HOWARD COUNTY
Cresco, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	County Recorder's Record Management	Tax Increment Financing	Resource Enhancement & Protection	Conservation Special Projects
ASSETS				
Cash & Pooled Investments	\$4,145	\$10,884	\$99,688	\$158,769
Receivables:				
Accounts	255	0	0	0
Accrued Interest	5	0	22	23
TOTAL ASSETS	\$4,405	\$10,884	\$99,710	\$158,792
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts Payable	\$0	\$0	\$0	\$5,900
Total Liabilities	0	0	0	5,900
Fund Balances:				
Unreserved	4,405	10,884	99,710	152,892
Total Liabilities and Fund Balances	\$4,405	\$10,884	\$99,710	\$158,792

See Accompanying Independent Auditors' Report

Schedule 1

Wapsi Great Western Trail	Webster's Additions LMI	Well Program	Drainage Districts	Special Equipment	Conservation Land Acquisition Trust	Pennies For Poverty	Total
\$27,026	\$10,567	\$6,736	\$22,546	\$7,609	\$22,999	\$519	\$371,488
0	0	0	0	0	0	0	255
6	0	0	0	0	571	0	627
<u>\$27,032</u>	<u>\$10,567</u>	<u>\$6,736</u>	<u>\$22,546</u>	<u>\$7,609</u>	<u>\$23,570</u>	<u>\$519</u>	<u>\$372,370</u>
\$0	\$0	\$60	\$0	\$0	\$0	\$0	\$5,960
0	0	60	0	0	0	0	5,960
<u>27,032</u>	<u>10,567</u>	<u>6,676</u>	<u>22,546</u>	<u>7,609</u>	<u>23,570</u>	<u>519</u>	<u>366,410</u>
<u>\$27,032</u>	<u>\$10,567</u>	<u>\$6,736</u>	<u>\$22,546</u>	<u>\$7,609</u>	<u>\$23,570</u>	<u>\$519</u>	<u>\$372,370</u>

HOWARD COUNTY
Cresco, Iowa

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

	County Recorder's Record Management	Tax Increment Financing	Resource Enhancement & Protection	Conservation Special Projects
REVENUES:				
Property & Other County Tax	\$0	\$86,103	\$0	\$0
Intergovernmental	0	0	14,933	0
Charges for Services	3,184	0	0	0
Use of Money & Property	290	0	1,008	1,177
Miscellaneous	0	0	0	28,102
Total Revenues	3,474	86,103	15,941	29,279
EXPENDITURES:				
Operating:				
Public Safety & Legal Services	0	0	0	0
Physical Health and Social Services	0	0	0	0
County Environment & Education	0	36,407	0	49,972
Governmental Services to Residents	24,505	0	0	0
Administration	0	49,321	0	0
Non-program	0	0	0	0
Total Expenditures	24,505	85,728	0	49,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,031)	375	15,941	(20,693)
Other Financing Sources:				
Operating Transfers In	0	0	0	73,833
Operating Transfers Out	0	0	0	(103)
	0	0	0	73,730
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(21,031)	375	15,941	53,037
Fund Balances – Beginning of Year	25,436	10,509	83,769	99,855
Fund Balances – End of Year	\$4,405	\$10,884	\$99,710	\$152,892

See Accompanying Independent Auditors' Report

Schedule 2

Wapsi Great Western Trail	Webster's Additions LMI	Well Program	Drainage Districts	Special Equipment	Conservation Land Acquisition Trust	Pennies For Poverty	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$86,103
0	0	13,675	0	0	0	0	28,608
0	0	0	0	636	0	0	3,820
283	0	0	0	0	802	0	3,560
5,600	7,860	0	6,932	0	0	200	48,694
5,883	7,860	13,675	6,932	636	802	200	170,785
0	0	0	0	72	0	0	72
0	0	9,768	0	0	0	0	9,768
0	0	0	0	0	0	0	86,379
0	0	0	0	0	0	0	24,505
0	0	0	0	0	0	0	49,321
0	0	0	2,786	0	0	0	2,786
0	0	9,768	2,786	72	0	0	172,831
5,883	7,860	3,907	4,146	564	802	200	(2,046)
0	0	0	0	0	0	0	73,833
0	0	0	0	0	0	0	(103)
0	0	0	0	0	0	0	73,730
5,883	7,860	3,907	4,146	564	802	200	71,684
21,149	2,707	2,769	18,400	7,045	22,768	319	294,726
\$27,032	\$10,567	\$6,676	\$22,546	\$7,609	\$23,570	\$519	\$366,410

HOWARD COUNTY
Cresco, Iowa

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

ASSETS	County Offices	Agricultural Extension Education	County Assessor	Schools
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,589	\$93,185	\$124,607
Other County Officials	12,035	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	1	0	24
Succeeding Year	0	112,653	122,476	5,038,117
Accounts	31	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$12,066	\$115,243	\$215,661	\$5,162,748
LIABILITIES				
Accounts Payable	\$0	\$0	\$69	\$0
Salaries & Benefit Payable	0	0	7,927	0
Due to Other Governments	400	115,243	188,168	5,162,748
Trusts Payable	11,666	0	0	0
Compensated Absences	0	0	19,497	0
TOTAL LIABILITIES	\$12,066	\$115,243	\$215,661	\$5,162,748

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$4,812	\$80,099	\$1,991	\$0	\$192,995	\$384,656	\$884,934
0	0	0	0	0	0	12,035
2	30	0	0	0	3	60
375,566	1,971,186	123,296	0	0	560,297	8,303,591
0	0	0	0	0	255	286
0	0	0	0	0	295	295
0	0	0	86,476	0	0	86,476
<u>\$380,380</u>	<u>\$2,051,315</u>	<u>\$125,287</u>	<u>\$86,476</u>	<u>\$192,995</u>	<u>\$945,506</u>	<u>\$9,287,677</u>
\$0	\$0	\$0	\$0	\$0	\$322	391
0	0	0	0	0	1,360	9,287
380,380	2,051,315	125,287	86,476	192,995	943,471	9,246,483
0	0	0	0	0	(2,946)	8,720
0	0	0	0	0	3,299	22,796
<u>\$380,380</u>	<u>\$2,051,315</u>	<u>\$125,287</u>	<u>\$86,476</u>	<u>\$192,995</u>	<u>\$945,506</u>	<u>\$9,287,677</u>

HOWARD COUNTY
Cresco, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2009

ASSETS AND LIABILITIES	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances – Beginning of Year	\$3,964	\$108,896	\$196,547	\$5,152,208
Additions:				
Property & Other County Tax	0	115,497	125,294	5,172,779
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,991	6,921	330,434
Office Fees & Collections	248,681	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	73,754	0	0	0
Miscellaneous	0	0	4,623	0
Total Additions	322,435	122,488	136,838	5,503,213
Deductions:				
Agency Remittances:				
To Other Funds	133,900	0	0	0
To Other Governments	114,454	116,141	117,724	5,492,673
Trusts Paid Out	65,979	0	0	0
Total Deductions	314,333	116,141	117,724	5,492,673
Balances – End of Year	\$12,066	\$115,243	\$215,661	\$5,162,748

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$202,706	\$1,947,535	\$116,478	\$1,362	\$155,745	\$909,277	\$8,794,718
380,854	1,949,012	126,133	0	0	574,423	8,443,992
0	0	0	0	0	96,473	96,473
12,992	106,256	7,844	0	0	34,811	506,249
0	0	0	0	0	0	248,681
0	0	0	0	2,120,085	0	2,120,085
0	0	0	111,346	0	0	111,346
0	0	0	0	0	146,411	220,165
0	0	0	0	0	49,337	53,960
393,846	2,055,268	133,977	111,346	2,120,085	901,455	11,800,951
0	0	0	0	69,567	0	203,467
216,172	1,951,488	125,168	26,232	2,013,268	718,353	10,891,673
0	0	0	0	0	146,873	212,852
216,172	1,951,488	125,168	26,232	2,082,835	865,226	11,307,992
\$380,380	\$2,051,315	\$125,287	\$86,476	\$192,995	\$945,506	\$9,287,677

HOWARD COUNTY
Cresco, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Seven Years

	Modified Accrual Basis		
	2009	2008	2007
Revenues:			
Property & Other County Tax	\$3,863,290	\$3,674,073	\$3,711,204
Interest & Penalty On Property Tax	43,081	32,898	28,481
Intergovernmental	4,316,869	3,382,725	3,192,694
Licenses & Permits	9,455	20,501	6,330
Charges for Service	453,109	441,531	400,128
Use of Money & Property	121,691	189,486	217,954
Miscellaneous	247,576	207,084	295,069
Total	\$9,055,071	\$7,948,298	\$7,851,860
Expenditures:			
Operating:			
Public Safety & Legal Services	\$1,085,111	\$1,178,257	\$1,035,867
Physical Health & Social Services	396,894	397,860	336,340
Mental Health	1,249,311	1,252,692	1,304,049
County Environment & Education	894,678	799,801	866,273
Roads & Transportation	3,379,695	3,305,054	3,176,661
Governmental Services To Residents	313,020	266,112	251,107
Administration Services	864,774	788,090	802,558
Non-program	3,251	5,767	1,461
Debt Service	49,939	49,939	49,939
Capital Projects	42,222	34,061	504,084
Total	\$8,278,895	\$8,077,633	\$8,328,339

See Accompanying Independent Auditors' Report

Schedule 5

Modified Accrual Basis			
2006	2005	2004	2003
\$3,457,108	\$3,347,766	\$3,327,392	\$3,126,425
31,947	26,264	28,902	30,227
3,101,743	2,936,128	2,788,622	2,664,971
8,594	5,280	3,895	4,733
390,617	388,727	356,000	314,652
174,632	351,573	64,405	94,381
320,952	133,960	193,443	182,480
\$7,485,593	\$7,189,698	\$6,762,659	\$6,417,869
\$959,201	\$917,620	\$879,651	\$887,697
395,732	443,218	450,526	465,631
1,106,788	996,192	1,099,206	1,004,410
766,713	1,066,753	641,948	641,870
3,007,255	2,379,734	2,655,035	2,382,111
370,212	230,791	211,876	214,051
753,519	772,808	696,011	579,142
5,888	12,894	4,110	7,870
0	20,826	30,408	113,408
573,014	346,049	29,817	124,409
\$7,938,322	\$7,186,885	\$6,698,588	\$6,420,599

HOWARD COUNTY
Cresco, Iowa

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Community Oriented Policing Services			
2008 COPS Technology Program	16.710	2008CKWX0277	<u>\$50,000</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$5,823</u>
National Park Service			
Department of the Interior			
Outdoor Recreation – Acquisition, Development and Planning	15.916		<u>8,320</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Incentive Grants for Use of Seat Belts	20.604	08-157, Task 87	4,000
Safety Belt Performance Grant	20.609	09-406, Task 80	<u>4,000</u>
			<u>8,000</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>5,249</u>
Refugee	93.566		<u>2</u>
Child Care Mandatory and Matching Funds of the Child Care and Developing fund	93.596		<u>1,668</u>
Foster Care – Title IV-E	93.658		<u>3,054</u>
Adoption Assistance	93.659		<u>788</u>
Medical Assistance Program	93.778		<u>6,744</u>
Expansion Title XXI	93.767		<u>41</u>
Social Services Block Grant	93.667		<u>3,439</u>
Social Services Block Grant	93.667		<u>42,513</u>
			<u>45,952</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (Continued):			
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management			
Division:			
Disaster Recovery – Public Assistance	97.036	DR 1763	\$1,134,094
Emergency Management Planning Grant	97.042		<u>12,862</u>
Total Indirect			<u>\$1,232,597</u>
Total			<u>\$1,282,597</u>

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

See accompanying independent auditors' report.



Gardiner Thomsen
Certified Public Accountants

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 Howard County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, Iowa, as of and for the year ended June 30, 2009 which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2010. 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 Howard 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 Howard County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of 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 Howard 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 Howard County's financial statements that is more than inconsequential will not be prevented or detected by Howard County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Howard 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 items A, B, and C are material weaknesses.

Compliance and Other Matters

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

Howard 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 Howard 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 Howard County and other parties to whom Howard 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 Howard 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.

March 25, 2010

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Howard County:

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

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

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

Internal Control Over Compliance

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

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

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

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

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

March 25, 2010

Gardiner Thomsen, P.C.

HOWARD COUNTY
Cresco, Iowa

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

Part I: Summary of the Independent Auditors' Results:

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

HOWARD COUNTY
Cresco, Iowa

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

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

II-B-09 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions and disposals not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County's financial statements.

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

Conclusion – Response accepted.

II-C-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Howard County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

HOWARD COUNTY
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements (Continued)

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted, however, disbursements in the Medical Examiner department exceeded the amounts appropriated.

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

Response – We will watch appropriations more closely.

Conclusion – Response accepted.

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

HOWARD COUNTY
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

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

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

IV-D-09 Business Transaction - The following business transactions between the County and County officials or employees were noted:

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Carroll Construction Road Foreman, Bob Carroll Owned by Bob Carroll	FEMA Project	\$12,215
Dusty's Total Tree Service Supervisor, Don Burnikel Owned by Don Burnikel's Son	Tree Trimming	180

In accordance with Chapter 331.342 of the Code of Iowa, the transaction over \$1,500 with Carroll Construction does appear to represent a conflict of interest since the services were obtained through contracts that were competitively bid, in writing, but weren't publicly invited and opened.

In accordance with Chapter 331.342 of the Code of Iowa, the transaction with Dusty's Total Tree Service does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

Recommendation – The County should refrain from business transactions with County officials or employees whenever possible. If the County wishes to do business with officials or employees, bids should be taken for the work to be done.

Response – We will publicly invite and open bids for these projects in the future.

Conclusion – Response accepted.

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

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on August 25, 2008 to discuss matters relating to the County. The minutes record does not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa, the specific exemption was not documented and the minutes do not document final action taken in open session.

HOWARD COUNTY
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

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

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – This was an oversight. We usually record the vote and specific exemption as required and will do so in the future. The Board did not take action on the discussion from the August 25, 2008 closed session and this was not documented in the minutes and should have been. We will document the action taken in the minutes in the future.

Conclusion – Response accepted.

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

IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-09 Economic Development – During the year ended June 30, 2009, the County paid \$124,106 for Economic Development, which appears to be an appropriate expenditure of public funds since benefits to be derived have been clearly documented.

IV-J-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.

IV-K-09 Credit Card Policy – Several departments have credit cards for use by various employees while on County business. The County does have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, it was noted that supporting documentation for the Sheriff and Secondary Roads was not always available to support credit card charges.

Recommendation – As required by the credit card policy, all claims for purchase by credit card should be supported by detailed invoices or other appropriate supporting documentation before payment.

HOWARD COUNTY
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)
Year Ended June 30, 2009

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

Response – We will maintain detailed invoices for credit card claims before payment.

Conclusion – Response accepted.

IV-L-09 Community Disaster Grant – It appears a written report specifying the use of the community disaster grant wasn't submitted to the Homeland Security and Emergency Management Division of the Department of Public Defense by January 1, 2010 as required by the Iowa Administrative Code Chapter 13.6.

Recommendation – The County should ensure that written reports specified should be filed in order to be compliant with the grant requirements.

Response – We will comply with the grant requirements in the future and will contact appropriate personnel to remedy this oversight.

Conclusion – Response accepted.

News Release

Gardiner Thomsen today released an audit report on Howard County, Iowa.

The County had local tax revenue of \$12,544,194 for the year ended June 30, 2009, which included \$715,475 in tax credits from the State. The County forwarded \$8,650,339 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,593,953 of the local tax revenue to finance county operations, a 5% increase from the prior year. Other revenues included charges for services of \$742,776, operating grants, contributions and restricted interest of \$2,775,154, capital grants, contributions and restricted interest of \$2,685,940, local option sales tax of \$522,505, unrestricted investment earnings of \$66,694 and other general revenues of \$197,841.

Expenses for County operations totaled \$8,505,563, a 1% increase from the prior year. Expenses included \$3,706,178 for Roads and Transportation, \$1,253,529 for Mental Health, and \$1,051,244 for Public Safety and Legal Services.

A copy of the audit report is available for review in the Office of the Auditor of State and County Auditor's office.

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