

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

LOUISA COUNTY

LOUISA COUNTY

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LOUISA COUNTY

LOUISA COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Frank Jamison	Board of Supervisors	December 2010
Chris Ball	Board of Supervisors	December 2012
Paula Buckman	Board of Supervisors	December 2012
Sylvia Belzer	County Auditor	December 2012
Karen Elkin	County Treasurer	December 2010
Leanne Black	County Recorder	December 2010
Curt Braby	County Sheriff	December 2012
David Mathews	County Attorney	December 2010
Gregory Johnson	County Assessor	*

* Appointed by County



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Officials of Louisa County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of Louisa 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 6 through 14 and 35 and 36 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008, (none of which are 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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
February 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Louisa County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Louisa County is for the fiscal year ended June 30, 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 35%, or approximately \$3,147,000 from fiscal year 2008 to fiscal year 2009. Property tax increased approximately \$694,000, operating grants and contributions increased approximately \$1,606,000 and capital grants and contributions increased approximately \$752,000.
- Program expenses were 8%, or approximately \$769,000, more in fiscal year 2009 than in fiscal year 2008. Administration expense increased approximately \$47,000, county environment and education decreased approximately \$251,000, and roads and transportation increased approximately \$1,174,000.
- The County's net assets increased 15.8%, or approximately \$2,254,000, 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 Louisa County as a whole and present an overall view of the County's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds, Special Revenue Funds, and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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 about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting 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 presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

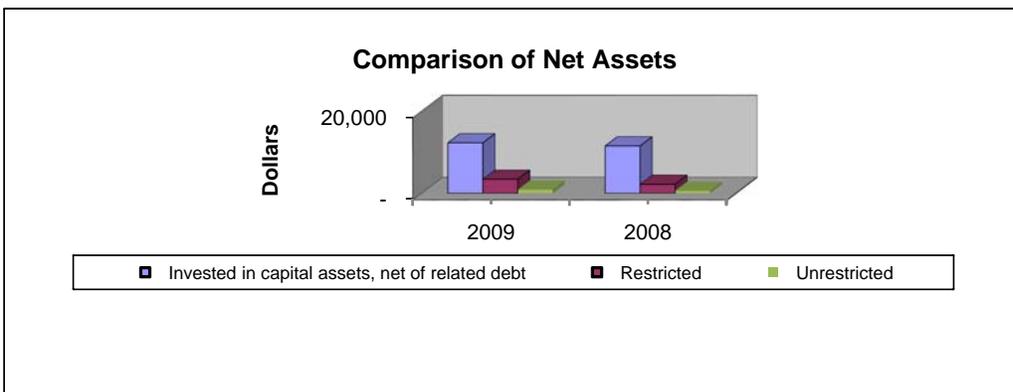
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Louisa County's combined net assets increased from \$14.3 million to \$16.6 million. The analysis that follows focuses on the changes in net assets of governmental activities.

Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30,	
	2009	2008
Current and other assets	\$ 11,222	\$ 12,460
Capital assets	15,627	11,726
Total assets	26,849	24,186
Long-term debt outstanding	3,586	3,788
Other liabilities	6,707	6,096
Total liabilities	10,293	9,884
Net assets:		
Invested in capital assets, net of related debt	12,294	11,533
Restricted	3,400	2,174
Unrestricted	862	595
Total net assets	\$ 16,556	\$ 14,302



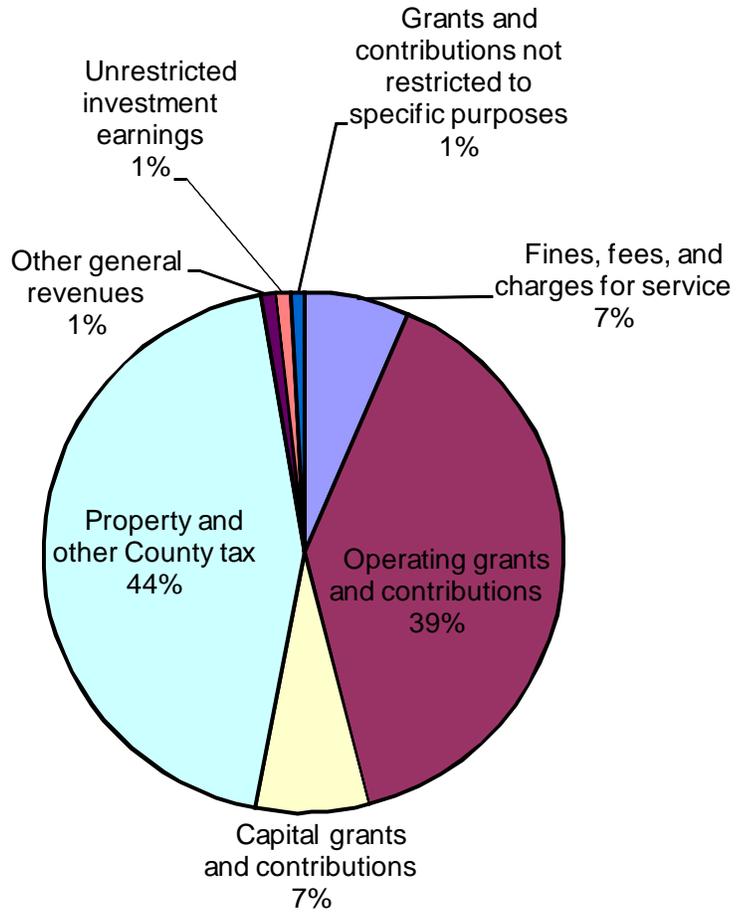
Net assets of Louisa County's governmental activities increased by 15.8% (\$16.6 million compared to \$14.3 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt Louisa County has at June 30, 2009, is a bond issue in the amount of \$3,785,000 for the construction of the Louisa County Jail. The bonds will be paid with revenue from the Local Option Sales and Services Tax. Louisa County does not have a tax for debt service. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from approximately \$595,000 at June 30, 2008, to approximately \$862,000 at the end of this year, an increase of 45%.

Changes in Net Assets of Governmental Activities

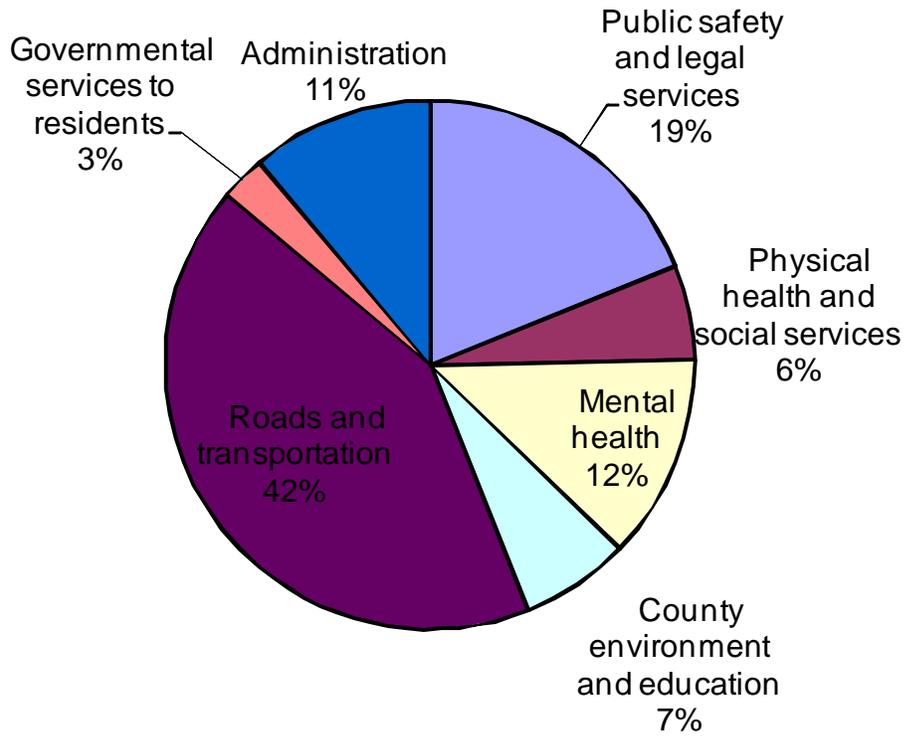
(Expressed in Thousands)

	Year Ended June 30,	
	2009	2008
Program revenues:		
Fines, fees, and charges for service	\$ 804	\$ 735
Operating grants and contributions	4,821	3,215
Capital grants and contributions	860	108
General revenues:		
Property and other County tax	5,432	4,738
Grants and contributions not restricted to specific purposes	103	93
Unrestricted investment earnings	107	166
Other general revenues	112	37
Total revenues	12,239	9,092
Program expenses:		
Public safety and legal services	1,862	2,172
Physical health and social services	570	589
Mental health	1,226	1,219
County environment and education	657	908
Roads and transportation	4,147	2,973
Governmental services to residents	274	270
Administration	1,092	1,045
Non-program	3	-
Interest on long-term debt	154	40
Total expenses	9,985	9,216
Increase (decrease) in net assets	2,254	(124)
Net assets July 1, 2008	14,302	14,426
Net assets June 30, 2009	\$ 16,556	\$ 14,302

Revenue by Source



Expenses by Program



Louisa County's net assets of governmental activities increased by approximately \$2,254,000 during the year. Revenues for governmental activities increased by approximately \$3,147,000 over the prior year, with operating grants and contributions up from the prior year by approximately \$1,606,000, or 50%, and capital grants and contributions up from the prior year by approximately \$752,000.

The County property tax rates for 2009 were increased by 0.7613. The valuation increase of approximately \$41 million and increased property tax rates increased the County's property tax revenue by \$694,000.

The cost of all governmental activities this year was \$9.985 million compared to \$9.216 million last year. However, as shown in the Statement of Activities on page 16, the amount taxpayers ultimately financed for these activities was \$4 million because some of the cost was paid by those directly benefited from the programs (\$804,000), or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,682,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2009 from approximately \$4,058,000 to \$6,485,000, principally due to an increase in capital grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,432,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Louisa County completed the year, its governmental funds reported a combined fund balance of \$4.7 million, a decrease of \$1,900,000 below last year's total of \$6.6 million. The decrease in fund balance is largely due to the completion of the jail facility.

- General Fund revenues and expenditures fluctuated when compared to prior year. Revenue increased by \$289,000, and expenditures decreased by \$28,000. The ending fund balance showed an increase of approximately \$210,000 from the prior year to approximately \$1,339,000.
- Rural Services Fund revenues decreased and expenditures increased somewhat compared to prior year. The ending fund balance showed a decrease of approximately \$46,000 from the prior year to approximately \$64,000.
- Secondary Roads Fund expenditures increased by approximately \$717,000 over the prior year, due to repair and rebuilding of flood damaged roads. Revenues increased by approximately \$1,154,000 over the prior year. The increase in expenditures and increase in revenues resulted in an increase in the Secondary Roads Fund ending balance of approximately \$565,000, or 62%.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,214,000, an increase of 1% from the prior year, and revenues totaled approximately \$1,588,000, an increase of 133% from the prior year. The Mental Health Fund balance at year end increased by approximately \$374,000 over the prior year. Expenditures for mental health services have remained steady during 2009. The increase in revenue was due to an increase in funds from the state because our fund balance met criteria for the County to receive additional subsidies. Our fund balance increase to \$506,000 from \$132,000 was possible because of the additional funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget two times. The amendments were made in March and April, 2009 and resulted in an increase in budget disbursements. In March, the amendment was to correct an error in the health insurance budget for the jail of \$44,000; \$15,000 additional medical examiners bills; \$72,000 for Conservation and the Department of Health to increase allowable spending of flood of 2008 FEMA receipts; remaining \$3,000 was for changes due to re-estimating of budgets for the 08-09 fiscal year. In April, a \$963,000 adjustment to revenue and expenditures was made for the FEMA money received for flood relief. \$950,000 was for Secondary Roads and approximately \$13,000 was for the Department of Health.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the County had approximately \$15.6 million invested in a broad range of capital assets, including \$3.289 million in new jail construction, buildings, park facilities, roads and bridges. This is a net increase of approximately \$3,901,000, or 33% over last year.

Capital Assets of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2009	2008
Land	\$ 1,313	\$ 1,313
Construction in progress	4,932	596
Buildings and improvements	939	981
Machinery and equipment	1,190	1,234
Infrastructure	7,253	7,602
Total	\$ 15,627	\$ 11,726

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

New jail project in progress	\$ 3,289
------------------------------	----------

The County had depreciation expense of \$724,853 for the year ended June 30, 2009, and total accumulated depreciation as of June 30, 2009, of \$6,484,026. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2009, Louisa County had approximately \$3,992,000 in bond debt and other debt, as shown below.

Other obligations include compensated absences.

Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2009	2008
General obligation bonds	\$ 3,729	\$ 3,925
Compensated absences	263	242
Total	<u>\$ 3,992</u>	<u>\$ 4,167</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Louisa County's outstanding general obligation debt is significantly below this \$29 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 BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2010 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Louisa County has a very small population, 12,183, and the Board interprets the economic situation from the knowledge they have from news, local conditions and information from the Iowa State Association of Counties. The Board considers what the Compensation Board recommends for salaries for elected officials. In fiscal year 2010 there was a three percent increase in salaries for the elected officials. In determining the budget for 2010, the tax rate for General Basic decreased to \$3.94886 from \$4.25000. The General Supplemental levy decreased to \$1.35655 from \$1.46007. The Rural Services Basic rate decreased to \$2.54988 from \$2.76077. The transfer to Secondary Roads remained the same as fiscal year 2010, \$1,117,761. A transfer from General Basic to Secondary Roads was not made. The Mental Health levy decreased to \$1.02164 from \$1.10326. With an increase of valuation and a decrease in rates, the tax revenue was held to the same total dollar amount as for 08-09 for the property tax and utility replacement dollars. The property taxes without the utility replacement dollars increased insignificantly by approximately \$38,000.

The Sheriff and Secondary Roads departments have a union, which had a three year salary and health insurance clause, which was negotiated July 1, 2008, this allows more accurate budgeting for wages and insurance costs for those two departments over three years. This has an accumulated increase in wages of 10% for Secondary Roads and the Sheriff's Department over three years.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

LOUISA COUNTY

LOUISA COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 5,694,230
Receivables:	
Property tax:	
Delinquent	17,176
Succeeding year	4,898,960
Interest and penalty on property tax	23,651
Accounts	5,839
Accrued interest	4,867
Due from other governments	505,042
Prepaid expenses	72,879
Capital assets:	
Capital assets, not being depreciated	6,244,712
Other capital assets (net of accumulated depreciation)	<u>9,382,097</u>
Total assets	<u>26,849,453</u>
LIABILITIES	
Accounts payable	792,097
Salaries and benefits payable	99,700
Accrued interest payable	11,741
Due to other governments	87,197
Unearned revenue	5,309,827
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	215,000
Compensated absences	191,377
Portion due or payable after one year:	
Bonds payable	3,514,210
Compensated absences	<u>72,086</u>
Total liabilities	<u>10,293,235</u>
NET ASSETS	
Invested in capital assets, net of related debt	12,293,856
Restricted for:	
Supplemental levy purposes	330,456
Mental health purposes	540,087
Secondary roads purposes	1,568,767
Other purposes	960,712
Unrestricted	<u>862,340</u>
Total net assets	<u>\$ 16,556,218</u>

LOUISA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit B

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety and legal services	\$ 1,862,791	\$ 127,209	\$ 122,153	\$ -	\$ (1,613,429)
Physical health and social services	570,117	380,789	144,064	-	(45,264)
Mental health	1,225,739	262	1,005,185	-	(220,292)
County environment and education	656,697	61,816	197,110	15,795	(381,976)
Roads and transportation	4,146,782	31,650	3,319,739	844,492	49,099
Governmental services to residents	274,156	169,071	16	-	(105,069)
Administration	1,091,661	32,846	33,000	-	(1,025,815)
Non-program	3,263	-	-	-	(3,263)
Interest on long-term debt	153,727	-	-	-	(153,727)
Total governmental activities	<u>\$ 9,984,933</u>	<u>\$ 803,643</u>	<u>\$ 4,821,267</u>	<u>\$ 860,287</u>	<u>(3,499,736)</u>
General Revenues:					
Property and other County tax levied for:					
General purposes					4,941,240
Local option sales tax					490,311
Grants and contributions not restricted to specific purposes					102,627
Unrestricted investment earnings					107,085
Miscellaneous					<u>112,245</u>
Total general revenues					<u>5,753,508</u>
Change in net assets					2,253,772
Net assets beginning of year					<u>14,302,446</u>
Net assets end of year					<u>\$ 16,556,218</u>

**LOUISA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

Exhibit C

	General	Special Revenue			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Rural Services	Secondary Roads	Mental Health			
ASSETS							
Cash and pooled investments	\$ 1,485,012	\$ 63,471	\$ 1,808,051	\$ 606,429	\$ 848,035	\$ 883,232	\$ 5,694,230
Receivables:							
Property tax:							
Delinquent	12,378	2,407	-	2,391	-	-	17,176
Succeeding year	3,096,966	1,205,628	-	596,366	-	-	4,898,960
Interest and penalty on property tax	23,651	-	-	-	-	-	23,651
Accounts	5,839	-	-	-	-	-	5,839
Accrued interest	4,818	-	-	-	-	49	4,867
Due from other governments	122,652	-	251,569	50,895	-	79,926	505,042
Prepaid expenses	59,509	-	11,283	2,087	-	-	72,879
Total assets	<u>\$ 4,810,825</u>	<u>\$ 1,271,506</u>	<u>\$ 2,070,903</u>	<u>\$ 1,258,168</u>	<u>\$ 848,035</u>	<u>\$ 963,207</u>	<u>\$ 11,222,644</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 65,205	\$ 200	\$ 237,717	\$ 36,182	\$ 451,778	\$ 1,015	\$ 792,097
Salaries and benefits payable	49,194	-	45,959	4,547	-	-	99,700
Due to other governments	6,076	-	59	80,987	-	75	87,197
Deferred revenue:							
Succeeding year property tax	3,096,966	1,205,628	-	596,366	-	-	4,898,960
Other	254,464	2,146	305,986	33,591	-	1,405	597,592
Total liabilities	<u>3,471,905</u>	<u>1,207,974</u>	<u>589,721</u>	<u>751,673</u>	<u>451,778</u>	<u>2,495</u>	<u>6,475,546</u>
Fund balances:							
Reserved for:							
Supplemental levy purposes	314,477	-	-	-	-	-	314,477
Capital projects	-	-	-	-	396,257	-	396,257
Unreserved, reported in:							
General fund:							
Designated for capital improvements	314,409	-	-	-	-	-	314,409
Designated for Care Facility capital improvements	71,862	-	-	-	-	-	71,862
Undesignated	638,172	-	-	-	-	-	638,172
Special revenue funds	-	63,532	1,481,182	506,495	-	960,712	3,011,921
Total fund balances	<u>1,338,920</u>	<u>63,532</u>	<u>1,481,182</u>	<u>506,495</u>	<u>396,257</u>	<u>960,712</u>	<u>4,747,098</u>
Total liabilities and fund balances	<u>\$ 4,810,825</u>	<u>\$ 1,271,506</u>	<u>\$ 2,070,903</u>	<u>\$ 1,258,168</u>	<u>\$ 848,035</u>	<u>\$ 963,207</u>	<u>\$ 11,222,644</u>

See notes to financial statements.

LOUISA COUNTY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit D

Total governmental fund balances \$ 4,747,098

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Those assets consist of:

Land	\$ 1,313,124	
Construction in progress	4,931,588	
Infrastructure, net of \$1,862,517 accumulated depreciation	7,253,266	
Buildings and improvements, net of \$1,134,543 accumulated depreciation	938,512	
Machinery and equipment, net of \$3,486,966 accumulated depreciation	<u>1,190,319</u>	
Total capital assets		15,626,809

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

Property taxes and intergovernmental	186,725
--------------------------------------	---------

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at June 30, 2009, are:

Accrued interest on bonds	(11,741)	
Bonds payable	(3,729,210)	
Compensated absences	<u>(263,463)</u>	
Total long-term liabilities		<u>(4,004,414)</u>

Net assets of governmental activities \$ 16,556,218

LOUISA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Exhibit E

	General	Special Revenue			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Rural Services	Secondary Roads	Mental Health			
Revenues:							
Property and other County tax	\$ 2,976,606	\$ 1,164,205	\$ -	\$ 575,117	\$ -	\$ 492,048	\$ 5,207,976
Interest and penalty on property tax	37,700	-	-	-	-	-	37,700
Intergovernmental	763,438	40,261	3,315,345	1,012,764	-	89,019	5,220,827
Licenses and permits	18,127	-	1,035	-	-	2,800	21,962
Charges for service	685,441	-	64	-	-	5,308	690,813
Use of money and property	86,153	-	-	-	37,619	647	124,419
Miscellaneous	34,909	-	30,551	262	-	5,904	71,626
Total revenues	4,602,374	1,204,466	3,346,995	1,588,143	37,619	595,726	11,375,323
Expenditures:							
Operating:							
Public safety and legal services	1,897,919	-	-	-	-	10,589	1,908,508
Physical health and social services	543,438	20,000	-	-	-	3,643	567,081
Mental health	-	-	-	1,214,267	-	-	1,214,267
County environment and education	542,402	78,005	-	-	-	-	620,407
Roads and transportation	-	35,000	3,884,380	-	-	-	3,919,380
Governmental services to residents	258,594	-	-	-	-	453	259,047
Administration	1,039,659	-	-	-	-	-	1,039,659
Non-program	-	-	-	-	-	3,263	3,263
Debt service	-	-	-	-	-	364,940	364,940
Capital projects	-	-	15,730	-	3,289,466	28,659	3,333,855
Total expenditures	4,282,012	133,005	3,900,110	1,214,267	3,289,466	411,547	13,230,407
Excess (deficiency) of revenues over (under) expenditures	320,362	1,071,461	(553,115)	373,876	(3,251,847)	184,179	(1,855,084)
Other financing sources (uses):							
Sale of capital assets	1,678	-	303	-	-	-	1,981
Transfers in (out)	(111,590)	(1,117,761)	1,117,761	-	-	111,590	-
Total other financing sources (uses)	(109,912)	(1,117,761)	1,118,064	-	-	111,590	1,981
Net change in fund balances	210,450	(46,300)	564,949	373,876	(3,251,847)	295,769	(1,853,103)
Fund balances beginning of year	1,128,470	109,832	916,233	132,619	3,648,104	664,943	6,600,201
Fund balances end of year	\$ 1,338,920	\$ 63,532	\$ 1,481,182	\$ 506,495	\$ 396,257	\$ 960,712	\$ 4,747,098

LOUISA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit F

Net change in fund balances - Total governmental funds \$ (1,853,103)

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	\$ 3,780,879	
Contributed capital assets	844,492	
Depreciation expense	<u>(724,853)</u>	
		3,900,518

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

Repayments	<u>200,000</u>	
Net adjustment		200,000

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

Property tax	13,918
Charges for service	(22,026)
Grant proceeds	25,016

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

Compensated absences	(21,764)
Interest on debt	15,198
Amortization of bond discount	<u>(3,985)</u>

Change in net assets of governmental activities \$ 2,253,772

LOUISA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

Exhibit G

ASSETS

Cash and pooled investments:

County Treasurer	\$ 918,056
Other County officials	6,539
Drainage districts	225,127

Receivables:

Property tax:

Delinquent	52,811
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Succeeding year	11,677,622
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Accounts	10,791
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Accrued interest	162
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Drainage assessments	1,359
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Due from other governments	5,846
----------------------------	-------

Prepaid expenses	<u>2,242</u>
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Total assets	<u>12,900,555</u>
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LIABILITIES

Accounts payable	48,669
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Salaries and benefits payable	3,476
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Due to other governments	<u>12,848,410</u>
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Total liabilities	<u>12,900,555</u>
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NET ASSETS

	<u><u>\$ -</u></u>
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LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Blended Component Units

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Jointly Governed Organizations

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

Basis of Presentation

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

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

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

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

The County reports the following major governmental funds:

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

Special Revenue Funds – The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas. The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

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

Additionally, the County reports the following fund type:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

Assets, Liabilities, and Fund Equity

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

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

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

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 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.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980, (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	5,000
Equipment and vehicles	5,000

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

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

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

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

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amount budgeted for any functions.

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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The County's only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,882,376 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. The County did not hold any investments with a maturity greater than 397 days during the year.

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

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ <u>1,117,761</u>
Nonmajor Governmental Funds	General Nonmajor Governmental Funds	111,590 <u>364,940</u> <u>476,530</u>
Total		<u>\$ 1,594,291</u>

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

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	\$ 1,313,124	\$ -	\$ -	\$ 1,313,124
Construction in progress	<u>596,076</u>	<u>4,335,512</u>	<u>-</u>	<u>4,931,588</u>
Total capital assets, not being depreciated	<u>1,909,200</u>	<u>4,335,512</u>	<u>-</u>	<u>6,244,712</u>
Capital assets, being depreciated:				
Buildings and improvements	2,073,055	-	-	2,073,055
Machinery and equipment	4,906,732	289,859	519,306	4,677,285
Infrastructure	<u>9,115,783</u>	<u>-</u>	<u>-</u>	<u>9,115,783</u>
Total capital assets, being depreciated	<u>16,095,570</u>	<u>289,859</u>	<u>519,306</u>	<u>15,866,123</u>
Less accumulated depreciation for:				
Buildings and improvements	1,092,170	42,373	-	1,134,543
Machinery and equipment	3,672,632	333,640	519,306	3,486,966
Infrastructure	<u>1,513,677</u>	<u>348,840</u>	<u>-</u>	<u>1,862,517</u>
Total accumulated depreciation	<u>6,278,479</u>	<u>724,853</u>	<u>519,306</u>	<u>6,484,026</u>
Total capital assets, being depreciated, net	<u>9,817,091</u>	<u>(434,994)</u>	<u>-</u>	<u>9,382,097</u>
Governmental activities capital assets, net	<u>\$ 11,726,291</u>	<u>\$ 3,900,518</u>	<u>\$ -</u>	<u>\$ 15,626,809</u>

(continued on next page)

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Governmental activities:	
Public safety and legal services	\$ 46,480
Physical health and social services	3,639
Mental health	1,600
County environment and education	30,435
Roads and transportation	579,838
Governmental services to residents	12,014
Administration	<u>50,847</u>
Total depreciation expense – governmental activities	<u>\$ 724,853</u>

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:

Fund	Description	Amount
General	Services	<u>\$ 6,076</u>
Special Revenue:	Services	
Mental Health		80,987
Secondary Roads		59
Well Testing		<u>75</u>
		<u>81,121</u>
Total for governmental funds		<u>\$ 87,197</u>
Agency:	Collections	
County Recorder		\$ 6,578
County Sheriff		31
Agricultural Extension Education		177,447
County Assessor		438,420
Schools		9,208,701
Community Colleges		547,239
Corporations		1,267,442
Townships		247,268
Auto License and Use Tax		219,097
Brucellosis and Tuberculosis Eradication		1,778
Fire Districts		143,676

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Fund	Description	Amount
Agency:	Collections	
E911 Surcharge		\$ 107,193
Joint Disaster Services		6,542
City Special Assessments		2,549
Drainage Districts		474,080
Flexible Benefits		128
County Recorder's Electronic Fee		241
Total for agency funds		<u>\$ 12,848,410</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:

	General Obligation Bonds	Unamortized Bond Discounts	Compensated Absences	Total
Balance beginning of year	\$ 3,985,000	\$ (59,775)	\$ 241,700	\$ 4,166,925
Increases	-	-	201,009	201,009
Decreases	<u>200,000</u>	<u>(3,985)</u>	<u>179,245</u>	<u>375,260</u>
Balance end of year	<u>\$ 3,785,000</u>	<u>\$ (55,790)</u>	<u>\$ 263,464</u>	<u>\$ 3,992,674</u>
Due within one year	<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 191,377</u>	<u>\$ 406,377</u>

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.65%	\$ 215,000	\$ 140,898	\$ 355,898
2011	2.90	220,000	135,200	355,200
2012	3.10	230,000	128,820	358,820
2013	3.25	235,000	121,690	356,690
2014	3.40	245,000	114,052	359,052
2015-2019	3.55-4.05	1,350,000	432,262	1,782,262
2020-2023	4.10-4.25	<u>1,290,000</u>	<u>138,030</u>	<u>1,428,030</u>
Total		<u>\$ 3,785,000</u>	<u>\$ 1,210,952</u>	<u>\$ 4,995,952</u>

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 payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$147,387, \$146,298, and \$128,409, respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

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

Louisia 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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009, were \$138,446.

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

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – CONSTRUCTION COMMITMENTS

The County has entered into a contracts totaling \$3,449,958 for the new jail project. As of June 30, 2009, costs of \$3,346,932 on the project have been incurred. The \$103,026 balance remaining on the project at June 30, 2009, will be paid as work on the project progresses.

NOTE 10 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

LOUISA COUNTY

LOUISA COUNTY

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance - Positive (Negative)
				Original	Final	
Receipts:						
Property and other County tax	\$ 5,202,402	\$ 3,142	\$ 5,199,260	\$ 5,220,109	\$ 5,220,109	\$ (20,849)
Interest and penalty on property tax	36,513	-	36,513	31,450	31,450	5,063
Intergovernmental	5,553,524	63,007	5,490,517	3,454,196	4,489,143	1,001,374
Licenses and permits	22,011	-	22,011	17,135	17,135	4,876
Charges for service	688,239	-	688,239	520,390	520,390	167,849
Use of money and property	91,911	-	91,911	181,213	181,213	(89,302)
Miscellaneous	71,243	-	71,243	45,785	45,785	25,458
Total receipts	<u>11,665,843</u>	<u>66,149</u>	<u>11,599,694</u>	<u>9,470,278</u>	<u>10,505,225</u>	<u>1,094,469</u>
Disbursements:						
Public safety and legal services	1,942,063	-	1,942,063	1,969,819	2,030,182	88,119
Physical health and social services	582,214	-	582,214	639,812	669,812	87,598
Mental health	1,277,101	-	1,277,101	1,285,922	1,285,922	8,821
County environment and education	616,575	-	616,575	868,340	923,340	306,765
Roads and transportation	3,889,224	-	3,889,224	2,955,380	3,905,380	16,156
Governmental services to residents	263,624	-	263,624	278,481	278,481	14,857
Administration	1,057,305	-	1,057,305	1,190,367	1,192,152	134,847
Non-program	3,263	3,263	-	-	-	-
Debt service	364,940	-	364,940	434,558	434,558	69,618
Capital projects	<u>3,040,709</u>	<u>-</u>	<u>3,040,709</u>	<u>5,029,057</u>	<u>5,029,057</u>	<u>1,988,348</u>
Total disbursements	<u>13,037,018</u>	<u>3,263</u>	<u>13,033,755</u>	<u>14,651,736</u>	<u>15,748,884</u>	<u>2,715,129</u>
Excess (deficiency) of receipts over (under) disbursements	(1,371,175)	62,886	(1,434,061)	(5,181,458)	(5,243,659)	3,809,598
Other financing sources, net	<u>56,138</u>	<u>-</u>	<u>56,138</u>	<u>4,054,558</u>	<u>4,054,558</u>	<u>(3,998,420)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,315,037)	62,886	(1,377,923)	(1,126,900)	(1,189,101)	(188,822)
Balance beginning of year	<u>7,003,765</u>	<u>29,964</u>	<u>6,973,801</u>	<u>6,973,801</u>	<u>6,973,801</u>	<u>-</u>
Balance end of year	<u>\$ 5,688,728</u>	<u>\$ 92,850</u>	<u>\$ 5,595,878</u>	<u>\$ 5,846,901</u>	<u>\$ 5,784,700</u>	<u>\$ (188,822)</u>
Reconciliation between cash and modified accrual basis:						
	Governmental Funds					
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 11,665,843	\$ (290,520)	\$ 11,375,323			
Expenditures	<u>13,037,018</u>	<u>193,389</u>	<u>13,230,407</u>			
Net	(1,371,175)	(483,909)	(1,855,084)			
Other financing sources, net	56,138	(54,157)	1,981			
Beginning fund balances	<u>7,003,765</u>	<u>(403,564)</u>	<u>6,600,201</u>			
Ending fund balances	<u>\$ 5,688,728</u>	<u>\$ (941,630)</u>	<u>\$ 4,747,098</u>			

LOUISA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,097,148. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted for any function.

OTHER SUPPLEMENTARY INFORMATION

LOUISA COUNTY

**LOUISA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009**

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and pooled investments	\$ 883,232	\$ -	\$ 883,232
Receivables:			
Accrued interest	49	-	49
Due from other governments	<u>79,926</u>	<u>-</u>	<u>79,926</u>
 Total assets	 <u>\$ 963,207</u>	 <u>\$ -</u>	 <u>\$ 963,207</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,015	\$ -	\$ 1,015
Due to other governments	75	-	75
Deferred revenue:			
Other	<u>1,405</u>	<u>-</u>	<u>1,405</u>
 Total liabilities	 2,495	 -	 2,495
Fund balances:			
Unreserved	<u>960,712</u>	<u>-</u>	<u>960,712</u>
 Total liabilities and fund balances	 <u>\$ 963,207</u>	 <u>\$ -</u>	 <u>\$ 963,207</u>

LOUISA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 2

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property and other County tax	\$ 492,048	\$ -	\$ 492,048
Intergovernmental	89,019	-	89,019
Licenses and permits	2,800	-	2,800
Charges for service	5,308	-	5,308
Use of money and property	647	-	647
Miscellaneous	5,904	-	5,904
Total revenues	<u>595,726</u>	<u>-</u>	<u>595,726</u>
Expenditures:			
Operating:			
Public safety and legal services	10,589	-	10,589
Physical health and social services	3,643	-	3,643
Governmental services to residents	453	-	453
Non-program	3,263	-	3,263
Debt service	-	364,940	364,940
Capital projects	28,659	-	28,659
Total expenditures	<u>46,607</u>	<u>364,940</u>	<u>411,547</u>
Excess (deficiency) of revenues over (under) expenditures	549,119	(364,940)	184,179
Other financing sources (uses):			
Transfers in (out)	<u>(253,350)</u>	<u>364,940</u>	<u>111,590</u>
Net change in fund balances	295,769	-	295,769
Fund balances beginning of year	<u>664,943</u>	<u>-</u>	<u>664,943</u>
Fund balances end of year	<u>\$ 960,712</u>	<u>\$ -</u>	<u>\$ 960,712</u>

**LOUISA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009**

	<u>County Recorder's Records Management</u>	<u>Resource Enhancement and Protection</u>	<u>Drainage Districts</u>
ASSETS			
Cash and pooled investments	\$ 15,251	\$ 45,871	\$ 92,849
Receivables:			
Accrued interest	9	40	-
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 15,260</u>	 <u>\$ 45,911</u>	 <u>\$ 92,849</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Deferred revenue:			
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	-
Fund balances:			
Unreserved	<u>15,260</u>	<u>45,911</u>	<u>92,849</u>
 Total liabilities and fund balances	 <u>\$ 15,260</u>	 <u>\$ 45,911</u>	 <u>\$ 92,849</u>

<u>Confidential Investigation</u>	<u>Sheriff Patrol</u>	<u>Conservation Land Acquisition Trust</u>	<u>Well Abandonment Trust</u>	<u>Well Testing Trust</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ 73,134	\$ 10,288	\$ 69,627	\$ 15,438	\$ 24,940	\$ 535,834	\$ 883,232
-	-	-	-	-	-	49
-	-	-	-	-	79,926	79,926
<u>\$ 73,134</u>	<u>\$ 10,288</u>	<u>\$ 69,627</u>	<u>\$ 15,438</u>	<u>\$ 24,940</u>	<u>\$ 615,760</u>	<u>\$ 963,207</u>
\$ 1,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,015
-	-	-	-	75	-	75
-	-	-	-	-	1,405	1,405
1,015	-	-	-	75	1,405	2,495
<u>72,119</u>	<u>10,288</u>	<u>69,627</u>	<u>15,438</u>	<u>24,865</u>	<u>614,355</u>	<u>960,712</u>
<u>\$ 73,134</u>	<u>\$ 10,288</u>	<u>\$ 69,627</u>	<u>\$ 15,438</u>	<u>\$ 24,940</u>	<u>\$ 615,760</u>	<u>\$ 963,207</u>

LOUISA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

	County Recorder's Records Management	Resource Enhancement and Protection	Drainage Districts
Revenues:			
Property and other County tax	\$ -	\$ -	\$ 3,142
Intergovernmental	-	15,795	63,007
Licenses and permits	-	-	-
Charges for service	2,158	-	-
Use of money and property	122	525	-
Miscellaneous	-	-	-
Total revenues	<u>2,280</u>	<u>16,320</u>	<u>66,149</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
Governmental services to residents	453	-	-
Non-program	-	-	3,263
Capital projects	-	2,689	-
Total expenditures	<u>453</u>	<u>2,689</u>	<u>3,263</u>
Excess (deficiency) of revenues over (under) expenditures	1,827	13,631	62,886
Other financing sources (uses):			
Transfers in (out)	-	-	-
Net change in fund balances	1,827	13,631	62,886
Fund balances beginning of year	<u>13,433</u>	<u>32,280</u>	<u>29,963</u>
Fund balances end of year	<u>\$ 15,260</u>	<u>\$ 45,911</u>	<u>\$ 92,849</u>

<u>Confidential Investigation</u>	<u>Sheriff Patrol</u>	<u>Conservation Land Acquisition Trust</u>	<u>Well Abandonment Trust</u>	<u>Well Testing Trust</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 488,906	\$ 492,048
2,157	-	-	5,450	2,610	-	89,019
-	-	-	-	2,800	-	2,800
-	3,150	-	-	-	-	5,308
-	-	-	-	-	-	647
5,904	-	-	-	-	-	5,904
<u>8,061</u>	<u>3,150</u>	<u>-</u>	<u>5,450</u>	<u>5,410</u>	<u>488,906</u>	<u>595,726</u>
10,089	500	-	-	-	-	10,589
-	-	-	1,934	1,709	-	3,643
-	-	-	-	-	-	453
-	-	-	-	-	-	3,263
-	-	25,970	-	-	-	28,659
<u>10,089</u>	<u>500</u>	<u>25,970</u>	<u>1,934</u>	<u>1,709</u>	<u>-</u>	<u>46,607</u>
(2,028)	2,650	(25,970)	3,516	3,701	488,906	549,119
<u>-</u>	<u>-</u>	<u>111,590</u>	<u>-</u>	<u>-</u>	<u>(364,940)</u>	<u>(253,350)</u>
(2,028)	2,650	85,620	3,516	3,701	123,966	295,769
<u>74,147</u>	<u>7,638</u>	<u>(15,993)</u>	<u>11,922</u>	<u>21,164</u>	<u>490,389</u>	<u>664,943</u>
<u>\$ 72,119</u>	<u>\$ 10,288</u>	<u>\$ 69,627</u>	<u>\$ 15,438</u>	<u>\$ 24,865</u>	<u>\$ 614,355</u>	<u>\$ 960,712</u>

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5

	<u>Balance 6/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/09</u>
COUNTY AUDITOR				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ -	\$ 1,070	\$ 1,070	\$ -
LIABILITIES:				
Due to other funds	\$ -	\$ 1,070	\$ 1,070	\$ -
COUNTY RECORDER				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ 3,078	\$ 150,769	\$ 147,339	\$ 6,508
Accounts receivable	38	70	38	70
Total assets	<u>\$ 3,116</u>	<u>\$ 150,839</u>	<u>\$ 147,377</u>	<u>\$ 6,578</u>
LIABILITIES:				
Due to other funds	\$ -	\$ 66,098	\$ 66,098	\$ -
Due to other governments	3,116	84,703	81,241	6,578
Total liabilities	<u>\$ 3,116</u>	<u>\$ 150,801</u>	<u>\$ 147,339</u>	<u>\$ 6,578</u>
COUNTY SHERIFF				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ 31	\$ 106,355	\$ 106,355	\$ 31
LIABILITIES:				
Due to other funds	\$ -	\$ 37,629	\$ 37,629	\$ -
Due to other governments	31	330	330	31
Trusts payable	-	68,396	68,396	-
Total liabilities	<u>\$ 31</u>	<u>\$ 106,355</u>	<u>\$ 106,355</u>	<u>\$ 31</u>

(continued)

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	<u>Balance</u> <u>6/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/09</u>
AGRICULTURAL EXTENSION EDUCATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 2,071	\$ 168,979	\$ 169,399	\$ 1,651
Property tax receivable:				
Delinquent	424	676	424	676
Succeeding year	<u>169,142</u>	<u>175,120</u>	<u>169,142</u>	<u>175,120</u>
Total assets	<u>\$ 171,637</u>	<u>\$ 344,775</u>	<u>\$ 338,965</u>	<u>\$ 177,447</u>
LIABILITIES:				
Due to other governments	<u>\$ 171,637</u>	<u>\$ 344,775</u>	<u>\$ 338,965</u>	<u>\$ 177,447</u>
COUNTY ASSESSOR FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 199,801	\$ 246,270	\$ 257,169	\$ 188,902
Property tax receivable:				
Delinquent	609	981	609	981
Succeeding year	245,590	249,508	245,590	249,508
Prepaid expenses	<u>2,148</u>	<u>2,242</u>	<u>2,148</u>	<u>2,242</u>
Total assets	<u>\$ 448,148</u>	<u>\$ 499,001</u>	<u>\$ 505,516</u>	<u>\$ 441,633</u>
LIABILITIES:				
Accounts payable	\$ 133	\$ 360	\$ 133	\$ 360
Salaries and benefits payable	2,816	2,853	2,816	2,853
Due to other governments	<u>445,199</u>	<u>495,788</u>	<u>502,567</u>	<u>438,420</u>
Total liabilities	<u>\$ 448,148</u>	<u>\$ 499,001</u>	<u>\$ 505,516</u>	<u>\$ 441,633</u>
SCHOOLS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 112,238	\$ 8,781,204	\$ 8,808,207	\$ 85,235
Property tax receivable:				
Delinquent	22,585	34,731	22,585	34,731
Succeeding year	<u>8,771,070</u>	<u>9,088,735</u>	<u>8,771,070</u>	<u>9,088,735</u>
Total assets	<u>\$ 8,905,893</u>	<u>\$ 17,904,670</u>	<u>\$ 17,601,862</u>	<u>\$ 9,208,701</u>
LIABILITIES:				
Due to other governments	<u>\$ 8,905,893</u>	<u>\$ 17,904,670</u>	<u>\$ 17,601,862</u>	<u>\$ 9,208,701</u>

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
COMMUNITY COLLEGES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 5,557	\$ 416,024	\$ 417,257	\$ 4,324
Property tax receivable:				
Delinquent	1,066	1,626	1,066	1,626
Succeeding year	414,082	541,289	414,082	541,289
Total assets	<u>\$ 420,705</u>	<u>\$ 958,939</u>	<u>\$ 832,405</u>	<u>\$ 547,239</u>
LIABILITIES:				
Due to other governments	<u>\$ 420,705</u>	<u>\$ 958,939</u>	<u>\$ 832,405</u>	<u>\$ 547,239</u>
CORPORATIONS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 25,640	\$ 1,479,943	\$ 1,486,740	\$ 18,843
Property tax receivable:				
Delinquent	8,592	13,499	8,592	13,499
Succeeding year	1,131,652	1,235,100	1,131,652	1,235,100
Total assets	<u>\$ 1,165,884</u>	<u>\$ 2,728,542</u>	<u>\$ 2,626,984</u>	<u>\$ 1,267,442</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,165,884</u>	<u>\$ 2,728,542</u>	<u>\$ 2,626,984</u>	<u>\$ 1,267,442</u>
TOWNSHIPS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 3,170	\$ 230,146	\$ 230,857	\$ 2,459
Property tax receivable:				
Delinquent	654	913	654	913
Succeeding year	232,347	243,896	232,347	243,896
Total assets	<u>\$ 236,171</u>	<u>\$ 474,955</u>	<u>\$ 463,858</u>	<u>\$ 247,268</u>
LIABILITIES:				
Due to other governments	<u>\$ 236,171</u>	<u>\$ 474,955</u>	<u>\$ 463,858</u>	<u>\$ 247,268</u>
AUTO LICENSE AND USE TAX FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ 184,977</u>	<u>\$ 2,566,637</u>	<u>\$ 2,532,517</u>	<u>\$ 219,097</u>
LIABILITIES:				
Due to other governments	<u>\$ 184,977</u>	<u>\$ 2,566,637</u>	<u>\$ 2,532,517</u>	<u>\$ 219,097</u>

(continued)

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 24	\$ 1,897	\$ 1,902	\$ 19
Property tax receivable:				
Delinquent	5	8	5	8
Succeeding year	1,898	1,751	1,898	1,751
Total assets	<u>\$ 1,927</u>	<u>\$ 3,656</u>	<u>\$ 3,805</u>	<u>\$ 1,778</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,927</u>	<u>\$ 3,656</u>	<u>\$ 3,805</u>	<u>\$ 1,778</u>
FIRE DISTRICTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,571	\$ 132,180	\$ 132,675	\$ 1,076
Property tax receivable:				
Delinquent	203	377	203	377
Succeeding year	130,020	142,223	130,020	142,223
Total assets	<u>\$ 131,794</u>	<u>\$ 274,780</u>	<u>\$ 262,898</u>	<u>\$ 143,676</u>
LIABILITIES:				
Due to other governments	<u>\$ 131,794</u>	<u>\$ 274,780</u>	<u>\$ 262,898</u>	<u>\$ 143,676</u>
E911 SURCHARGE FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 193,271	\$ 80,931	\$ 159,307	\$ 114,895
Receivables:				
Accounts	19,562	8,163	19,562	8,163
Due from other governments	-	5,846	-	5,846
Accrued interest	345	162	345	162
Total assets	<u>\$ 213,178</u>	<u>\$ 95,102</u>	<u>\$ 179,214</u>	<u>\$ 129,066</u>
LIABILITIES:				
Accounts payable	\$ 9,430	\$ 21,873	\$ 9,430	\$ 21,873
Due to other governments	203,748	73,229	169,784	107,193
Total liabilities	<u>\$ 213,178</u>	<u>\$ 95,102</u>	<u>\$ 179,214</u>	<u>\$ 129,066</u>

(continued)

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
JOINT DISASTER SERVICES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,446	\$ 36,139	\$ 29,776	\$ 7,809
Due from other governments	16,610	-	16,610	-
Total assets	<u>\$ 18,056</u>	<u>\$ 36,139</u>	<u>\$ 46,386</u>	<u>\$ 7,809</u>
LIABILITIES:				
Accounts payable	\$ 679	\$ 644	\$ 679	\$ 644
Salaries and benefits payable	509	623	509	623
Due to other governments	16,868	34,872	45,198	6,542
Total liabilities	<u>\$ 18,056</u>	<u>\$ 36,139</u>	<u>\$ 46,386</u>	<u>\$ 7,809</u>
CITY SPECIAL ASSESSMENTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 3,927	\$ 20,994	\$ 22,372	\$ 2,549
Special assessments receivable	10,703	-	10,703	-
Total assets	<u>\$ 14,630</u>	<u>\$ 20,994</u>	<u>\$ 33,075</u>	<u>\$ 2,549</u>
LIABILITIES:				
Due to other governments	\$ 14,630	\$ 20,994	\$ 33,075	\$ 2,549
DRAINAGE DISTRICTS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 229,505	\$ 494,338	\$ 453,014	\$ 270,829
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	234	1,359	234	1,359
Total assets	<u>\$ 454,866</u>	<u>\$ 495,697</u>	<u>\$ 453,248</u>	<u>\$ 497,315</u>
LIABILITIES:				
Accounts payable	\$ 5,451	\$ 23,235	\$ 5,451	\$ 23,235
Due to other governments	449,415	472,462	447,797	474,080
Total liabilities	<u>\$ 454,866</u>	<u>\$ 495,697</u>	<u>\$ 453,248</u>	<u>\$ 497,315</u>

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
FLEXIBLE BENEFITS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ -	\$ 40,833	\$ 40,706	\$ 127
Accounts receivable	5,319	2,558	5,319	2,558
Total assets	<u>\$ 5,319</u>	<u>\$ 43,391</u>	<u>\$ 46,025</u>	<u>\$ 2,685</u>
LIABILITIES:				
Accounts payable	\$ 5,319	\$ 2,557	\$ 5,319	\$ 2,557
Due to other governments	-	40,834	40,706	128
Total liabilities	<u>\$ 5,319</u>	<u>\$ 43,391</u>	<u>\$ 46,025</u>	<u>\$ 2,685</u>
COUNTY RECORDER'S ELECTRONIC FEE				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ 370</u>	<u>\$ 2,235</u>	<u>\$ 2,364</u>	<u>\$ 241</u>
LIABILITIES:				
Due to other governments	<u>\$ 370</u>	<u>\$ 2,235</u>	<u>\$ 2,364</u>	<u>\$ 241</u>

(continued)

LOUISA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 5
(continued)

	<u>Balance</u> <u>6/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/09</u>
TOTAL COMBINED FUNDS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 963,568	\$ 14,698,750	\$ 14,744,262	\$ 918,056
Other County officials	3,109	258,194	254,764	6,539
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	34,138	52,811	34,138	52,811
Succeeding year	11,095,801	11,677,622	11,095,801	11,677,622
Accounts	24,919	10,791	24,919	10,791
Accrued interest	345	162	345	162
Drainage assessments	234	1,359	234	1,359
Special assessments	10,703	-	10,703	-
Due from other governments	16,610	5,846	16,610	5,846
Prepaid expenses	2,148	2,242	2,148	2,242
	<u>\$ 12,376,702</u>	<u>\$ 26,707,777</u>	<u>\$ 26,183,924</u>	<u>\$ 12,900,555</u>
LIABILITIES:				
Accounts payable	\$ 21,012	\$ 48,669	\$ 21,012	\$ 48,669
Salaries and benefits payable	3,325	3,476	3,325	3,476
Due to other funds	-	104,797	104,797	-
Due to other governments	12,352,365	26,482,401	25,986,356	12,848,410
Trusts payable	-	68,396	68,396	-
	<u>\$ 12,376,702</u>	<u>\$ 26,707,739</u>	<u>\$ 26,183,886</u>	<u>\$ 12,900,555</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:					
Property and other County tax	\$ 5,207,976	\$ 4,552,144	\$ 4,095,113	\$ 4,062,904	\$ 4,016,081
Interest and penalty on property tax	37,700	37,207	44,251	44,075	52,560
Intergovernmental	5,220,827	3,526,956	3,297,773	3,150,350	3,201,525
Licenses and permits	21,962	18,288	13,813	23,267	23,495
Charges for service	690,813	581,086	550,392	498,654	518,622
Use of money and property	124,419	185,435	250,059	200,662	108,758
Miscellaneous	<u>71,626</u>	<u>355,467</u>	<u>174,214</u>	<u>139,439</u>	<u>115,537</u>
 Total revenues	 <u>\$ 11,375,323</u>	 <u>\$ 9,256,583</u>	 <u>\$ 8,425,615</u>	 <u>\$ 8,119,351</u>	 <u>\$ 8,036,578</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,908,508	\$ 1,761,007	\$ 1,655,571	\$ 1,537,041	\$ 1,427,129
Physical health and social services	567,081	568,800	524,944	555,735	516,955
Mental health	1,214,267	1,206,049	1,019,139	948,009	972,379
County environment and education	620,407	802,348	769,636	435,290	487,359
Roads and transportation	3,919,380	3,075,632	2,781,601	2,497,345	2,536,698
Governmental services to residents	259,047	253,424	269,935	338,758	270,838
Administration	1,039,659	1,012,531	947,402	822,266	749,756
Non-program	3,263	118	204	95	-
Debt service	364,940	277,914	165,061	175,581	71,998
Capital projects	<u>3,333,855</u>	<u>685,925</u>	<u>1,107,875</u>	<u>823,623</u>	<u>797,104</u>
 Total expenditures	 <u>\$ 13,230,407</u>	 <u>\$ 9,643,748</u>	 <u>\$ 9,241,368</u>	 <u>\$ 8,133,743</u>	 <u>\$ 7,830,216</u>

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,974,544	\$ 3,565,777	\$ 3,234,444
53,614	44,767	46,314
3,102,126	2,936,091	2,833,171
13,536	6,306	6,835
543,139	531,469	514,165
94,856	74,963	130,236
<u>126,886</u>	<u>176,335</u>	<u>117,765</u>
<u>\$ 7,908,701</u>	<u>\$ 7,335,708</u>	<u>\$ 6,882,930</u>

\$ 1,395,700	\$ 1,299,527	\$ 1,333,264
500,516	557,905	560,544
980,403	1,066,924	1,090,925
412,848	590,961	430,828
2,415,685	1,954,414	2,206,303
242,403	232,307	219,644
750,025	893,410	801,807
-	95	452,175
57,940	54,165	53,241
<u>341,914</u>	<u>933,419</u>	<u>1,279,187</u>
<u>\$ 7,097,434</u>	<u>\$ 7,583,127</u>	<u>\$ 8,427,918</u>

**INFORMATION PROVIDED TO COMPLY WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

LOUISA COUNTY



CPAs & BUSINESS ADVISORS

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

To the Officials of Louisa County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise Louisa County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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.

Louisa 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 Louisa 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 Louisa County and other parties to whom Louisa 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 Louisa County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

Dubuque, Iowa
February 1, 2010



CPAs & BUSINESS ADVISORS

**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 Louisa County:

Compliance

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

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

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

Internal Control Over Compliance

The management of Louisa 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 the 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 the County's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Dubuque, Iowa
February 1, 2010

LOUISA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Agriculture			
Direct Program			
Direct and Counter-cyclical Payments Program	10.055		\$ 6,375
Direct Program			
Wetlands Reserve Program	10.072		9,448
Pass-through program from:			
Iowa Department of Human Services			
State Administrative Matching Grants for			
Supplemental Nutrition Assistance Program	10.561		<u>2,999</u>
Total U.S. Department of Agriculture			<u>18,822</u>
U.S. Department of Transportation			
Pass-through program from:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	EDP-C058(28)--7Y-58	112,086
Highway Planning and Construction	20.205	USDOT-C058(27)--9L-58	57,841
Highway Planning and Construction	20.205	DDIR-JVA-58-001	96,067
Highway Planning and Construction	20.205	DDIR-JVA-58-002	241,626
Highway Planning and Construction	20.205	DDIR-JVA-58-003-G-62	46,042
Highway Planning and Construction	20.205	DDIR-JVA-58-004	<u>37,060</u>
Total U.S. Department of Transportation			<u>590,722</u>
U.S. Department of Health and Human Services			
Pass-through program from:			
Iowa Department of Human Services			
Public Health Emergency Preparedness	93.069	558OBT58	21,155
Project Grants and Cooperative Agreements			
for Tuberculosis Control Programs	93.116	MOU-2009-TB-08	4,413
Immunization Grants	93.268	588I449	1,200
Temporary Assistance for Needy Families	93.558		2,801
Refugee and Entrant Assistance - State			
Administered Programs	93.566		5
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		760
Foster Care Title IV-E	93.658		1,755
Adoption Assistance	93.659		421
Social Services Block Grant	93.667	MHDS09-087	50,113
Social Services Block Grant	93.667	5889CO58	27,060
Social Services Block Grant	93.667		1,835
State Children's Insurance Program	93.767		23
Medical Assistance Program	93.778		<u>3,712</u>
Total U.S. Department of Health and Human Services			<u>115,253</u>
Corporation for National and Community Service			
Pass-through program from:			
Linn County, Iowa			
AmeriCorps	94.006	06ACHA0010006	<u>12,923</u>

(continued)

LOUISA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Department of Homeland Security Pass-through program from: Iowa Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	\$ <u>909,817</u>
Total			\$ <u>1,647,537</u>

LOUISA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Louisa County and is presented on the 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.

**LOUISA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiency Yes

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major programs:

Material weakness identified No

Significant deficiency None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee No

Part II: Findings Related to the Basic Financial Statements:

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

II-A-09 Preparation of Financial Statements

Criteria – A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards by internal personnel of the entity.

Condition – As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

LOUISA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

Cause – We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

Effect – The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that County officials continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial reports internally.

Response – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. At this time, the County does not have the resources to hire additional staff to draft the financial reports internally.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES

II-B-09 Sheriff's Office Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The Sheriff's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

Cause – With a limited number of office employees, segregation of duties is difficult.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – County officials should review the operating procedures of the office to obtain the maximum internal control over financial reporting possible under the circumstances.

Response – The Sheriff's Office will review the operating procedures, but due to personnel limitations additional procedures to increase internal control are not expected.

Conclusion – Response accepted.

LOUISA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

SIGNIFICANT DEFICIENCIES

II-C-09 Treasurer's Office Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The Treasurer's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

Cause – With a limited number of office employees, segregation of duties is difficult.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – County officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The Treasurer's Office continues to review operating procedures on a regular basis and does everything in its power to maximum internal control. The Treasurer's Office does the best they can with the number of employees available.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-09 Certified Budget – Disbursements at June 30, 2009, did not exceed the amount budgeted.

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

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

LOUISA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Adam Caudle, employee, spouse is Jeanette Caudle	Services	\$ 197
Joellen Yotter, employee, spouse is owner of Grandview Service	Services	\$ 85
Staci Griffin, employee, owner of Stitches & Cream	Services	\$ 13

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions above do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

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

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

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

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

III-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009, for the County Extension Office did not exceed the amount budgeted.



CPAs & BUSINESS ADVISORS

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Louisa County are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the depreciable lives.

Management's estimate of the depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached summary of audit differences schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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To the Honorable Chairman and
Members of the Board of Supervisors
Louisa County, Iowa
Page 2

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2010.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Comment

We have included an additional comment regarding future accounting pronouncements which will affect the County.

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

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

EIDE BAILLY LLP
CPAs & Business Advisors


Dubuque, Iowa
February 1, 2010

LOUISA COUNTY, IOWA
YEAR ENDED JUNE 30, 2009
OTHER COMMENTS

Governmental Accounting Standards Board (GASB)

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

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

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

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

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Louisa County
Summary of Audit Differences
June 30, 2009**

	<u>Overstatement (Understatement) of Current Year Operating Net</u>
<u>General Fund</u>	
Unadjusted audit differences:	
Accrued Payroll	\$ <u>20,460</u>
Cumulative effect	<u>\$ 20,460</u>
<u>Secondary Roads Fund</u>	
Unadjusted audit differences:	
Accrued Payroll	\$ <u>(9,391)</u>
Cumulative effect	<u>\$ (9,391)</u>