

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

JUNE 30, 2009

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LUCAS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
Clarence Gee	Board of Supervisors	Jan. 2009
Cathy Reece	Board of Supervisors	Jan. 2009
Larry Davis	Board of Supervisors	Jan. 2011
Julie Masters	County Auditor	Jan. 2009
Phyllis Baker	County Treasurer	Jan. 2011
Treva White	County Recorder	Jan. 2011
Jim Baker	County Sheriff	Jan. 2009
Paul Goldsmith	County Attorney	Jan. 2011
Tim McGee	County Assessor	Jan. 2010
(After January 2009)		
Dan Kozak	Board of Supervisors	Jan. 2013
Dennis Smith	Board of Supervisors	Jan. 2013
Larry Davis	Board of Supervisors	Jan. 2011
Julie Masters	County Auditor	Jan. 2013
Phyllis Baker	County Treasurer	Jan. 2011
Treva White	County Recorder	Jan. 2011
Jim Baker	County Sheriff	Jan. 2013
Paul Goldsmith	County Attorney	Jan. 2011
Tim McGee	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2010 on our consideration of Lucas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 6 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lucas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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.

Oskaloosa, Iowa
March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues increased \$1,059,334 from fiscal year 2008 to 2009. Property and other county tax increased \$492,036 intergovernmental revenues increased \$629,315 and other revenues decreased by \$62,017

- The County's Governmental fund expenditures increased \$1,155,079 from fiscal 2008 to fiscal 2009. Public Safety and Legal Services increased \$326,881, Physical Health and Social Services increased \$80,029, Mental Health increased \$37,948, County environment and education increased \$117,909, Roads and Transportation increased \$672,120, Governmental Services to residents increased \$37,585, and Administration increased \$6,612. Debt Service decreased \$4,226 and Capital Projects decreased \$119,779.

- The County's Governmental Activities net assets increased \$499,241 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 Lucas County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets of Governmental Activities		
	June 30	
	2008	2009
Current and other assets	\$6,294,669	6,979,073
Capital assets	<u>7,387,339</u>	<u>7,694,716</u>
Total Assets	<u>13,682,008</u>	<u>14,673,789</u>
Long-Term liabilities	226,822	517,116
Other Liabilities	<u>3,319,597</u>	<u>3,521,843</u>
Total liabilities	<u>3,546,419</u>	<u>4,038,959</u>
Net Assets:		
Invested in capital assets, net of related debt	7,327,575	7,330,559
Restricted	2,513,404	2,822,693
Unrestricted	<u>294,610</u>	<u>481,578</u>
Total net assets	<u>10,135,589</u>	<u>10,634,830</u>

Net assets of Lucas County’s governmental activities increased by approximately 5% (\$10.13 million compared to \$10.63 million). The largest portion of the County’s net assets is the invested in capital assets net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$481,578 at June 30, 2009.

Changes in Net Assets of Governmental Activities

	Year Ended June 30	
	2008	2009
Revenues:		
Program Revenues:		
Charges for service	\$ 584,026	636,522
Operating grants, contributions & restricted interest	2,410,225	3,255,880
Capital grants, contributions, and restricted interest	742,859	456,368
General Revenues		
Property tax	2,768,275	2,981,262
Penalty and interest on property tax	40,263	40,240
State Tax Credits	174,432	174,791
Local Option Sales and Services Tax	0	270,338
Payments in lieu of taxes	2,438	1,619
Unrestricted investment earnings	114,663	55,736
Other general revenues	79,933	73,199
Total Revenues	6,917,114	73,199
Program Expenses		
Public Safety and Legal Services	721,233	1,047,673
Physical health and social services	533,773	628,765
Mental Health	985,779	1,037,751
County environment and education	215,331	354,215
Roads and transportation	2,627,793	3,030,787
Government services to residents	245,268	280,895
Administration	872,440	1,052,210
Interest on long term debt	4,645	14,418

Total Expenses	6,206,262	7,446,714
Change in Net Assets	710,852	499,241
Net assets beginning of year	<u>9,424,737</u>	<u>10,135,589</u>
Net assets end of year	<u>10,135,589</u>	<u>10,634,830</u>

The County increased rural levy rates FY2009 by \$.029441 per \$1000.00 valuation. This increase was necessary to generate the money needed to maintain county services. Property tax revenue increased from 2008 by \$212,987.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$3.39 million, which is up \$491,537 from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$49,695 over the prior year due to an increase in property and other county tax revenues, Intergovernmental Revenues, Licenses and Permits and Misc. revenue along with a decrease in Charges for services, and use of money and Property. Expenditures increased \$160,823 due mainly to an increase in operating expenditures for Public safety and legal services and Physical Health and Social Services. County Environment and Education and Government Services to Residents increased while Administration costs and Debt Services Decreased.
- Mental Health Fund revenues increased \$436,772 from the prior year due to an increase in property tax revenues and intergovernmental revenues along with increases in Charges for Services and Miscellaneous revenues. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,032,917, an increase of \$37,948 from the prior year due mainly to the rising cost of services to clients and an increase in the number of clients served. The Mental Health fund balance at the end of the year increased \$143,286 from the prior year.
- The Rural Services Fund showed an increase in revenue. While property and other county taxes, intergovernmental revenues, and Miscellaneous revenues increased, charges for service were down slightly resulting in a decrease of \$77,196. Expenditures increased \$92,224 due to increases in Public Safety, County Environment, Roads and Transportation and Administration costs with a small decrease in Government Services to residents. The Rural Services Fund balance decreased by \$40,017 from the prior year.
- Secondary Roads Fund revenues increased by \$132,946 for the year due FEMA money received. Expenditures in Roads and transportation increased by \$657,865 and Capital project expenditures decreased by \$277,941. The ending fund balance showed an increase of \$92,939 from last year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lucas County amended its budget two (2) times. The first amendment was

in December of 2008 and was necessary for various reasons including CDBG grant money, Veterans Affairs Grant proceeds. Long Term Debt proceeds increased due to a Bond Anticipation Loan for the Law Center Project. Expenditures increased for Capital Projects due to the Law Center Project. Physical Health and Social Services increased due to an increase in detention stays for juveniles and Veterans Affairs Grant money. County Environment and Education increased due to CDBG Grant expense and pioneer cemetery funds not spent in previous year. The Second amendment in May 2009 was necessary to increase revenues due to receiving FEMA money, County Attorney fees collected and grant money received in excess of what was budgeted. Increases in expenditures were due to spending of extra grant money received, computer equipment for the County Attorney, further increases in juvenile detention services as well as Public Health services including grant money, mileage and comp-time. Also additional maintenance needs of gravel roads as a result of winter of 07/08 damage, and flooding damage in the summer of 2008 caused 51 sites to be repaired with FEMA funding. Disbursements did not exceed the amount budgeted in any county function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Balance	
	June 30, 2008	June 30, 2009
Governmental activities		
Capital assets not being depreciated:		
Land	\$ 712,457	\$712,457
Construction in progress	342,896	180,723
Total Capital assets not being depreciated	<u>1,055,353</u>	<u>893,180</u>
Capital assets being depreciated:		
Buildings	\$676,414	676,414
Machinery and equipment	3,652,212	3,863,674
Infrastructure	5,526,872	6,180,649
Total Capital assets being depreciated	<u>9,855,498</u>	<u>10,720,737</u>
Less accumulated depreciation for:		
Buildings	173,006	189,378
Machinery and equipment	2,259,578	2,395,649
Infrastructure	1,090,928	1,334,174
Total Accumulated depreciation	<u>3,523,512</u>	<u>3,919,201</u>
Total Capital Assets being depreciated, net	<u>6,331,986</u>	<u>6,801,536</u>
Governmental activities capital assets, net	<u>7,387,339</u>	<u>7,694,716</u>

At June 30, 2009, Lucas County had approximately \$7.69 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$462,537, in FY 2009 and total accumulated depreciation of \$3,919,201 at June 30, 2009. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

At June 30, 2009 Lucas County had \$152,959 in compensated absences as compared to \$167,058 on June 30, 2008, and a Decrease of \$59,764 in General Obligation Notes which paid in full the General Obligation Note. In September 2008 the county issued a \$225,000 general obligation local Option sales tax bond anticipation project note to pay a portion of the costs of relocating and renovating the Law center. The note will mature in September 2009. During FY2009 the county issued \$185,000 of general obligation notes to pay the cost of equipment for the County Computer system. The notes are payable through the year ending June 30, 2013. During the year ended June 30, 2006, the General Supplemental Fund loaned the General Basic Fund \$200,000 to help temporarily finance operating expenses. The Loan will be paid back with interest in four equal annual installments. The balance of the loan on June 30, 2009 was \$50,187. More detailed information can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Budgeted disbursements in the FY 2010 operating budget are \$9,600,846 a decrease of approximately 5% over the final FY 2009 budget. Lucas County has spent down fund balances to finance programs currently offered due to the effect inflation has on program costs. The decrease was due to FEMA money for repair costs in FY09. Increases in costs related to Public Safety and Legal Services, Physical Health and Social services, Mental Health Services, and Insurance premiums contributed to the increased expenses. Lucas County employees did not receive wage increases in FY 2010 although an increase in required IPERS contributions by Lucas County has added to employee benefits. Lucas County added no major programs to the FY 2010 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,268,539
Receivables:	
Property tax:	
Delinquent	16,386
Succeeding year	3,067,000
Interest and penalty on property tax	47,782
Accounts	10,352
Accrued interest	1,486
Due from other governments	396,909
Contract receivable (note 4)	13,665
Inventories	156,954
Capital assets, net of accumulated depreciation (note 5)	<u>7,694,716</u>
 Total assets	 <u>14,673,789</u>
Liabilities	
Accounts payable	198,330
Salaries and benefits payable	57,247
Due to other governments (note 6)	192,801
Accrued interest payable	6,465
Deferred revenue:	
Succeeding year property tax	3,067,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation notes	253,157
Compensated absences	152,959
Portion due or payable after one year:	
General obligation notes	<u>111,000</u>
 Total liabilities	 <u>4,038,959</u>

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 7,330,559
Restricted for:	
Supplemental levy purposes	228,087
Mental health purposes	272,165
Rural services	102,372
Secondary roads	1,648,242
Debt service	6,079
Cemetery levy	2,081
Capital projects	2,224
Other special revenue purposes	561,443
Unrestricted	<u>481,578</u>
Total net assets	<u><u>\$ 10,634,830</u></u>

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,047,673	\$ 114,679	\$ 49,388	\$ -	(883,606)
Physical health and social services	628,765	20,369	295,162	-	(313,234)
Mental health	1,037,751	43,702	690,801	-	(303,248)
County environment and education	354,215	29,214	163,662	-	(161,339)
Roads and transportation	3,030,787	276,182	2,056,867	456,368	(241,370)
Government services to residents	280,895	144,685	-	-	(136,210)
Administration	1,052,210	7,691	-	-	(1,044,519)
Interest on long-term debt	14,418	-	-	-	(14,418)
Total	<u>\$ 7,446,714</u>	<u>\$ 636,522</u>	<u>\$ 3,255,880</u>	<u>\$ 456,368</u>	<u>(3,097,944)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,881,142
Debt service					100,120
Penalty and interest on property tax					40,240
State tax credits					174,791
Local option sales and services tax					270,338
Payments in lieu of taxes					1,619
Unrestricted investment earnings					55,736
Miscellaneous					73,199
Total general revenues					<u>3,597,185</u>
Change in net assets					499,241
Net assets beginning of year					<u>10,135,589</u>
Net assets end of year					<u>\$ 10,634,830</u>

See notes to financial statements.

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LUCAS COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 672,826	\$ 452,987	\$ 129,764	\$ 1,494,232
Receivables:				
Property tax:				
Delinquent	12,769	2,911	416	-
Succeeding year	1,828,000	417,000	781,000	-
Interest and penalty on property tax	47,782	-	-	-
Accounts	-	429	-	9,758
Accrued interest	1,179	-	-	-
Due from other governments	53,995	9,548	-	275,465
Contract receivable (note 4)	-	-	-	13,665
Inventories	-	-	-	156,954
Total assets	<u>\$ 2,616,551</u>	<u>\$ 882,875</u>	<u>\$ 911,180</u>	<u>\$ 1,950,074</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 518,730	\$ 3,268,539
290	16,386
41,000	3,067,000
-	47,782
165	10,352
307	1,486
57,901	396,909
-	13,665
-	156,954
<u>\$ 618,393</u>	<u>\$ 6,979,073</u>

LUCAS COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 29,863	\$ 23,840	\$ 60	\$ 143,385
Salaries and benefits payable	14,066	304	6,038	36,839
Due to other governments (note 6)	16,459	165,018	302	11,022
Deferred revenue:				
Succeeding year property tax	1,828,000	417,000	781,000	-
Other	60,551	2,911	416	13,665
Total liabilities	1,948,939	609,073	787,816	204,911
Fund balances:				
Reserved for:				
Inventories	-	-	-	156,954
Supplemental levy purposes	206,907	-	21,347	-
Debt service	-	-	-	-
Cemetery levy	2,081	-	-	-
Unreserved, reported in:				
General fund	458,624	-	-	-
Special revenue funds	-	273,802	102,017	1,588,209
Capital projects fund	-	-	-	-
Total fund balances	667,612	273,802	123,364	1,745,163
Total liabilities and fund balances	\$ 2,616,551	\$ 882,875	\$ 911,180	\$ 1,950,074

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,182	\$ 198,330
-	57,247
-	192,801
41,000	3,067,000
290	77,833
<u>42,472</u>	<u>3,593,211</u>
-	156,954
-	228,254
12,254	12,254
-	2,081
-	458,624
561,443	2,525,471
2,224	2,224
<u>575,921</u>	<u>3,385,862</u>
<u>\$ 618,393</u>	<u>\$ 6,979,073</u>

LUCAS COUNTY

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

Total fund balances of governmental funds	\$ 3,385,862
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$11,613,917 and the accumulated depreciation is \$3,919,201.	7,694,716
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	77,833
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,465)
Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(517,116)</u>
Net assets of governmental activities	<u><u>\$ 10,634,830</u></u>

See notes to financial statements.

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LUCAS COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,709,303	\$ 416,531	\$ 758,732	\$ -
Interest and penalty on property tax	36,370	-	-	-
Intergovernmental	520,384	715,970	41,902	2,662,346
Licenses and permits	63	-	-	545
Charges for service	192,427	15,266	11,618	-
Use of money and property	53,943	-	-	-
Miscellaneous	67,696	28,436	11,939	129,559
Total revenues	<u>2,580,186</u>	<u>1,176,203</u>	<u>824,191</u>	<u>2,792,450</u>
Expenditures:				
Operating:				
Public safety and legal services	749,794	-	79,352	-
Physical health and social services	598,071	-	24,950	-
Mental health	-	1,032,917	-	-
County environment and education	133,518	-	46,105	-
Roads and transportation	-	-	191,809	2,699,270
Government services to residents	260,081	-	1,640	-
Administration	813,863	-	43,067	-
Debt service	251	-	-	-
Capital projects	-	-	-	510,055
Total expenditures	<u>2,555,578</u>	<u>1,032,917</u>	<u>386,923</u>	<u>3,209,325</u>
Excess (deficiency) of revenues over (under) expenditures	24,608	143,286	437,268	(416,875)
Other financing sources (uses):				
Sale of capital assets	20	-	-	-
Interfund transfers in (note 3)	-	-	-	509,814
Interfund transfers out (note 3)	(32,529)	-	(477,285)	-
General obligation notes issued	-	-	-	-
Total other financing sources (uses)	<u>(32,509)</u>	<u>-</u>	<u>(477,285)</u>	<u>509,814</u>
Net change in fund balances	(7,901)	143,286	(40,017)	92,939
Fund balances beginning of year	<u>675,513</u>	<u>130,516</u>	<u>163,381</u>	<u>1,652,224</u>
Fund balances end of year	<u>\$ 667,612</u>	<u>\$ 273,802</u>	<u>\$ 123,364</u>	<u>\$ 1,745,163</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 370,981	\$	3,255,547
-		36,370
168,956		4,109,558
-		608
18,487		237,798
16,867		70,810
724		238,354
<u>576,015</u>		<u>7,949,045</u>
216,668		1,045,814
-		623,021
-		1,032,917
117,610		297,233
-		2,891,079
4,048		265,769
500		857,430
100,663		100,914
230,454		740,509
<u>669,943</u>		<u>7,854,686</u>
(93,928)		94,359
-		20
-		509,814
-		(509,814)
397,158		397,158
<u>397,158</u>		<u>397,178</u>
303,230		491,537
<u>272,691</u>		<u>2,894,325</u>
<u>\$ 575,921</u>	<u>\$</u>	<u>3,385,862</u>

LUCAS COUNTY

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

Net change in fund balances - total governmental funds \$ 491,537

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

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

	\$	769,914	
Expenditures for capital assets			
Depreciation expense		(462,537)	307,377

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:

		(3,947)	
Property tax			
Other		837	(3,110)

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (397,158)

Repayment of notes principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 92,765

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:

		14,099	
Compensated absences			
Interest on long-term debt		(6,269)	7,830

Change in net assets of governmental activities \$ 499,241

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	583,263
Other County officials		39,736
Receivables:		
Property tax:		
Delinquent		60,641
Succeeding year		6,502,000
Accounts		10,577
Accrued interest		2
Due from other governments		<u>5,844</u>
 Total assets	 \$	 <u><u>7,202,063</u></u>

Liabilities

Accounts payable	\$	7,169
Salaries and benefits payable		242
Due to other governments (note 6)		7,123,561
Trusts payable		52,325
Compensated absences		<u>18,766</u>
 Total liabilities	 \$	 <u><u>7,202,063</u></u>

See notes to financial statements.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$2,822,693.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in the road clearing department exceeded the amount appropriated.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 2. Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,512,016 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 32,529
	Special Revenue: Rural Services	<u>477,285</u>
		<u>\$ 509,814</u>

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 4. Contract Receivable – Secondary Roads

As of June 30, 2009, the County has a long-term interest-free contract receivable from the City of Russell for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Russell</u>
2010	\$ 3,033
2011	3,033
2012	3,033
2013	3,033
2014	<u>1,533</u>
	<u>\$ 13,665</u>

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 712,457	\$ -	\$ -	712,457
Construction in progress	342,896	439,593	601,766	180,723
Total capital assets not being depreciated	<u>1,055,353</u>	<u>439,593</u>	<u>601,766</u>	<u>893,180</u>
Capital assets being depreciated:				
Buildings	676,414	-	-	676,414
Machinery and equipment	3,652,212	278,310	66,848	3,863,674
Infrastructure	5,526,872	653,777	-	6,180,649
Total capital assets being depreciated	<u>9,855,498</u>	<u>932,087</u>	<u>66,848</u>	<u>10,720,737</u>
Less accumulated depreciation for:				
Buildings	173,006	16,372	-	189,378
Machinery and equipment	2,259,578	202,919	66,848	2,395,649
Infrastructure	1,090,928	243,246	-	1,334,174
Total accumulated depreciation	<u>3,523,512</u>	<u>462,537</u>	<u>66,848</u>	<u>3,919,201</u>
Total capital assets being depreciated, net	<u>6,331,986</u>	<u>469,550</u>	<u>-</u>	<u>6,801,536</u>
Governmental activities capital assets, net	<u>\$ 7,387,339</u>	<u>\$ 909,143</u>	<u>\$ 601,766</u>	<u>\$ 7,694,716</u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 22,634
Mental health	4,100
County environment and education	7,634
Roads and transportation	401,472
Government services to residents	16,124
Administration	<u>10,573</u>

Total depreciation expense - governmental activities	<u><u>\$ 462,537</u></u>
--	--------------------------

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 16,459
Special Revenue:		
Mental Health		165,018
Rural Services		302
Secondary Roads		<u>11,022</u>
Total for governmental funds		<u><u>\$ 192,801</u></u>
Agency:		
County Assessor	Collections	\$ 231,186
Schools		3,837,791
Community Colleges		230,278
Corporations		1,616,685
County Hospital		670,284
Auto License and Use Tax		167,665
E-911		158,151
All Other		<u>211,521</u>
Total for agency funds		<u><u>\$ 7,123,561</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities

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

	General Obligation County Building Equipment Notes	General Obligation Notes	General Obligation Local Option Sales Tax Bond Anticipation Project Note	Compensated Absences	Total
Balance beginning of year	\$ -	\$ 59,764	\$ -	\$ 167,058	\$ 226,822
Increases	185,000	-	212,158	152,959	550,117
Decreases	33,001	59,764	-	167,058	259,823
Balance end of year	<u>\$ 151,999</u>	<u>\$ -</u>	<u>\$ 212,158</u>	<u>\$ 152,959</u>	<u>\$ 517,116</u>
Due within one year	<u>\$ 40,999</u>	<u>\$ -</u>	<u>\$ 212,158</u>	<u>\$ 152,959</u>	<u>\$ 406,116</u>

General Obligation County Building Equipment Notes Payable

During the year ended June 30, 2009 the County issued \$185,000 of general obligation notes to pay the cost of equipment for the County computer system. The notes are payable through the year ending June 30, 2013 with an interest rate of 4.80%.

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.80 %	\$ 40,999	\$ 6,748	\$ 47,747
2011	4.80	37,000	4,885	41,885
2012	4.80	37,000	3,109	40,109
2013	4.80	37,000	1,338	38,338
		<u>\$ 151,999</u>	<u>\$ 16,080</u>	<u>\$ 168,079</u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities (continued)

General Obligation Local Option Sales Tax Bond Anticipation Project Note Payable

In September 2008, the County issued a \$225,000 general obligation local option sales tax bond anticipation project note to pay a portion of the cost of relocating and renovating the Lucas County Law Center. The note will mature in September 2009 and includes interest at 4.50%. The actual amount drawn down totaled \$212,158.

A summary of the County's June 30, 2009, general obligation local option sales tax bond anticipation project note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.50 %	\$ <u>212,158</u>	\$ <u>7,201</u>	\$ <u>219,359</u>

Non-current Interfund Loan

During the year ended June 30, 2006, the General Supplemental Fund loaned the General Basic Fund \$200,000 to help temporarily finance operating expenses. The loan will be paid back to the General Supplemental Fund in four equal annual payments including interest at .25%. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements. The balance as of June 30, 2009 was \$50,187.

Note 8. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$156,291, \$135,220 and \$130,692, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 10. Construction Commitment

The County has entered into a contract totaling \$1,362,069 for bridge construction. As of June 30, 2009, costs of \$180,723 have been incurred against the contract. The balance remaining at June 30, 2009 of \$1,181,346 will be paid as work on the project progresses.

Note 11. Contingent Liability

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,563,017. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2009, expects to hold deposits of \$2,738,658 for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2009.

Note 12. Subsequent Event

In October, 2009 the County entered into a contract totaling \$607,961 for a road paving project.

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Required Supplementary Information

LUCAS COUNTY

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

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,197,650	\$ 3,026,494	\$ 3,026,494	\$ 171,156
Interest and penalty on property tax	36,367	4,100	4,100	32,267
Intergovernmental	4,215,419	4,538,083	5,278,719	(1,063,300)
Licenses and permits	607	450	450	157
Charges for service	238,089	215,015	223,915	14,174
Use of money and property	71,215	107,950	107,950	(36,735)
Miscellaneous	228,578	325,355	344,694	(116,116)
Total receipts	<u>7,987,925</u>	<u>8,217,447</u>	<u>8,986,322</u>	<u>(998,397)</u>
DISBURSEMENTS:				
Public safety and legal services	832,351	894,339	916,139	83,788
Physical health and social services	643,627	634,755	705,828	62,201
Mental health	972,430	1,108,447	1,108,447	136,017
County environment and education	293,050	221,041	387,236	94,186
Roads and transportation	2,837,226	2,687,293	3,159,961	322,735
Government services to residents	266,206	309,185	309,185	42,979
Administration	856,702	917,979	919,979	63,277
Debt service	100,914	103,643	103,643	2,729
Capital projects	909,625	2,246,200	2,471,200	1,561,575
Total disbursements	<u>7,712,131</u>	<u>9,122,882</u>	<u>10,081,618</u>	<u>2,369,487</u>
Excess (deficiency) of receipts over (under) disbursements	275,794	(905,435)	(1,095,296)	1,371,090
Other financing sources, net	<u>397,178</u>	<u>195,500</u>	<u>420,500</u>	<u>(23,322)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	672,972	(709,935)	(674,796)	1,347,768
Balance beginning of year	<u>2,595,567</u>	<u>1,330,831</u>	<u>1,330,831</u>	<u>1,264,736</u>
Balance end of year	<u>\$ 3,268,539</u>	<u>\$ 620,896</u>	<u>\$ 656,035</u>	<u>\$ 2,612,504</u>

See accompanying independent auditor's report.

LUCAS COUNTY

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,987,925	\$ (38,880)	\$ 7,949,045
Expenditures	7,712,131	142,555	7,854,686
Net	275,794	(181,435)	94,359
Other financing sources, net	397,178	-	397,178
Beginning fund balances	2,595,567	298,758	2,894,325
Ending fund balances	<u>\$ 3,268,539</u>	<u>\$ 117,323</u>	<u>\$ 3,385,862</u>

See accompanying independent auditor's report.

LUCAS COUNTY

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

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$958,736. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in the road clearing department exceeded the amount appropriated.

Other Supplementary Information

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

	Special Revenue				
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement	Construction Donation
Assets					
Cash and pooled investments	\$ 24,775	\$ 82,413	\$ 84,295	\$ 47,088	\$ 7,585
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	165	-	-	-	-
Accrued interest	5	17	-	-	2
Due from other governments	-	-	-	-	-
Total assets	\$ <u>24,945</u>	\$ <u>82,430</u>	\$ <u>84,295</u>	\$ <u>47,088</u>	\$ <u>7,587</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 1,182	\$ -	\$ -	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	1,182	-	-	-
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	24,945	81,248	84,295	47,088	7,587
Total fund balances	<u>24,945</u>	<u>81,248</u>	<u>84,295</u>	<u>47,088</u>	<u>7,587</u>
Total liabilities and fund balances	\$ <u>24,945</u>	\$ <u>82,430</u>	\$ <u>84,295</u>	\$ <u>47,088</u>	\$ <u>7,587</u>

See accompanying independent auditor's report.

<u>Landfill Equipment</u>	<u>Community Development Block Grant</u>	<u>Local Option Sales and Services Tax</u>	<u>Education Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 20,618	\$ (451)	\$ 212,437	\$ 25,775	\$ 11,971	\$ 2,224	\$ 518,730
-	-	-	-	290	-	290
-	-	-	-	41,000	-	41,000
-	-	-	-	-	-	165
-	-	-	-	283	-	307
-	-	57,901	-	-	-	57,901
<u>\$ 20,618</u>	<u>\$ (451)</u>	<u>270,338</u>	<u>25,775</u>	<u>\$ 53,544</u>	<u>\$ 2,224</u>	<u>\$ 618,393</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,182
-	-	-	-	41,000	-	41,000
-	-	-	-	290	-	290
-	-	-	-	41,290	-	42,472
-	-	-	-	12,254	-	12,254
20,618	(451)	270,338	25,775	-	2,224	563,667
<u>20,618</u>	<u>(451)</u>	<u>270,338</u>	<u>25,775</u>	<u>12,254</u>	<u>2,224</u>	<u>575,921</u>
<u>\$ 20,618</u>	<u>\$ (451)</u>	<u>\$ 270,338</u>	<u>\$ 25,775</u>	<u>\$ 53,544</u>	<u>\$ 2,224</u>	<u>\$ 618,393</u>

LUCAS COUNTY

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

	Special Revenue				
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement	Construction Donation
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	14,863	39,461	-	-
Charges for service	1,630	-	-	14,334	-
Use of money and property	217	1,211	15,073	-	83
Miscellaneous	-	724	-	-	-
Total revenues	<u>1,847</u>	<u>16,798</u>	<u>54,534</u>	<u>14,334</u>	<u>83</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	4,551	-
County environment and education	-	8,143	-	-	-
Government services to residents Administration	4,048	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	13,400	32,408	-	-
Total expenditures	<u>4,048</u>	<u>21,543</u>	<u>32,408</u>	<u>4,551</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,201)	(4,745)	22,126	9,783	83
Other financing sources:					
General obligation notes issued	-	-	-	-	-
Net change in fund balances	(2,201)	(4,745)	22,126	9,783	83
Fund balances beginning of year	<u>27,146</u>	<u>85,993</u>	<u>62,169</u>	<u>37,305</u>	<u>7,504</u>
Fund balances end of year	<u>\$ 24,945</u>	<u>\$ 81,248</u>	<u>\$ 84,295</u>	<u>\$ 47,088</u>	<u>\$ 7,587</u>

See accompanying independent auditor's report.

<u>Landfill Equipment</u>	<u>Community Development Block Grant</u>	<u>Local Option Sales and Services Tax</u>	<u>Education Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ 270,338	\$ -	\$ 100,643	\$ -	\$ 370,981
-	108,564	-	-	6,068	-	168,956
2,523	-	-	-	-	-	18,487
-	-	-	-	283	-	16,867
-	-	-	-	-	-	724
<u>2,523</u>	<u>108,564</u>	<u>270,338</u>	<u>-</u>	<u>106,994</u>	<u>-</u>	<u>576,015</u>
-	-	-	-	-	212,117	216,668
452	109,015	-	-	-	-	117,610
-	-	-	-	-	-	4,048
-	-	-	500	-	-	500
-	-	-	-	100,663	-	100,663
-	-	-	-	-	184,646	230,454
<u>452</u>	<u>109,015</u>	<u>-</u>	<u>500</u>	<u>100,663</u>	<u>396,763</u>	<u>669,943</u>
2,071	(451)	270,338	(500)	6,331	(396,763)	(93,928)
-	-	-	-	-	397,158	397,158
2,071	(451)	270,338	(500)	6,331	395	303,230
18,547	-	-	26,275	5,923	1,829	272,691
<u>\$ 20,618</u>	<u>\$ (451)</u>	<u>\$ 270,338</u>	<u>\$ 25,775</u>	<u>\$ 12,254</u>	<u>\$ 2,224</u>	<u>\$ 575,921</u>

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

	County Offices			Agricultural
	County Recorder	County Sheriff	Public Health	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,148
Other County officials	4,835	21,413	13,488	-
Receivables:				
Property tax:				
Delinquent	-	-	-	354
Succeeding year	-	-	-	51,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>4,835</u>	\$ <u>21,413</u>	\$ <u>13,488</u>	\$ <u>52,502</u>
LIABILITIES				
Accounts payable	\$ 4,695	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	140	-	-	52,502
Trusts payable	-	21,413	13,488	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>4,835</u>	\$ <u>21,413</u>	\$ <u>13,488</u>	\$ <u>52,502</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 104,610	\$ 83,846	\$ 4,687	\$ 41,579	\$ 3,172	\$ 14,735	\$ 30
-	-	-	-	-	-	-
1,018	25,945	1,591	27,106	73	4,549	5
146,000	3,728,000	224,000	1,548,000	153,000	651,000	1,000
5	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 251,633</u>	<u>\$ 3,837,791</u>	<u>\$ 230,278</u>	<u>\$ 1,616,685</u>	<u>\$ 156,245</u>	<u>\$ 670,284</u>	<u>\$ 1,035</u>
\$ 1,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
242	-	-	-	-	-	-
231,186	3,837,791	230,278	1,616,685	156,245	670,284	1,035
-	-	-	-	-	-	-
18,766	-	-	-	-	-	-
<u>\$ 251,633</u>	<u>\$ 3,837,791</u>	<u>\$ 230,278</u>	<u>\$ 1,616,685</u>	<u>\$ 156,245</u>	<u>\$ 670,284</u>	<u>\$ 1,035</u>

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 167,665	\$ 5	\$ 142,935	\$ 1,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	10,407	-
Accrued interest	-	-	-	-
Due from other governments	-	-	5,844	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 167,665</u>	<u>\$ 5</u>	<u>\$ 159,186</u>	<u>\$ 1,265</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,035	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	167,665	5	158,151	1,265
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 167,665</u>	<u>\$ 5</u>	<u>\$ 159,186</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>Advance Tax</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 17,424	\$ 162	\$ 583,263
-	-	39,736
-	-	60,641
-	-	6,502,000
-	165	10,577
-	2	2
-	-	5,844
<u>\$ 17,424</u>	<u>\$ 329</u>	<u>\$ 7,202,063</u>
\$ -	\$ -	\$ 7,169
-	-	242
-	329	7,123,561
17,424	-	52,325
-	-	18,766
<u>\$ 17,424</u>	<u>\$ 329</u>	<u>\$ 7,202,063</u>

LUCAS COUNTY

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

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 5,378	\$ 24,399	\$ 15,957	\$ 50,299
Additions:				
Property and other County tax	-	-	-	51,347
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	2,984
Payments in lieu of taxes	-	-	-	-
Office fees and collections	104,454	61,841	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	78,804	11,675	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	104,454	140,645	11,675	54,331
Deductions:				
Agency remittances:				
To other funds	50,606	61,501	-	-
To other governments	54,391	340	-	52,128
Trusts paid out	-	81,790	14,144	-
Total deductions	104,997	143,631	14,144	52,128
Balances end of year	\$ 4,835	\$ 21,413	\$ 13,488	\$ 52,502

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 242,026	\$ 3,702,330	\$ 207,155	\$ 1,549,017	\$ 146,665	\$ 650,672	\$ 1,058
145,649	3,724,805	224,129	1,532,299	152,531	650,604	852
-	-	-	-	-	-	-
9,405	216,381	12,095	98,120	8,378	38,011	51
74	1,689	96	-	158	298	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
330	-	-	-	-	-	-
<u>155,458</u>	<u>3,942,875</u>	<u>236,320</u>	<u>1,630,419</u>	<u>161,067</u>	<u>688,913</u>	<u>903</u>
-	-	-	-	-	-	-
145,851	3,807,414	213,197	1,562,751	151,487	669,301	926
-	-	-	-	-	-	-
<u>145,851</u>	<u>3,807,414</u>	<u>213,197</u>	<u>1,562,751</u>	<u>151,487</u>	<u>669,301</u>	<u>926</u>
\$ <u>251,633</u>	\$ <u>3,837,791</u>	\$ <u>230,278</u>	\$ <u>1,616,685</u>	\$ <u>156,245</u>	\$ <u>670,284</u>	\$ <u>1,035</u>

LUCAS COUNTY

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 147,791	\$ 9	\$ 156,426	\$ 1,265
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	84,663	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,894,678	-	-	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	41	1,638	12,000
Total additions	<u>1,894,678</u>	<u>41</u>	<u>86,301</u>	<u>12,000</u>
Deductions:				
Agency remittances:				
To other funds	91,016	-	-	-
To other governments	1,783,788	45	83,541	12,000
Trusts paid out	-	-	-	-
Total deductions	<u>1,874,804</u>	<u>45</u>	<u>83,541</u>	<u>12,000</u>
Balances end of year	<u>\$ 167,665</u>	<u>\$ 5</u>	<u>\$ 159,186</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 6,570	\$ 10,838	\$ 338	\$ 6,918,193
-	-	-	-	6,482,216
-	-	-	-	84,663
-	-	-	-	385,425
-	-	-	-	2,315
-	-	-	1,582	167,877
-	-	-	-	1,894,678
-	17,424	142,665	-	250,568
6,353	-	-	-	6,353
-	-	-	5	14,014
<u>6,353</u>	<u>17,424</u>	<u>142,665</u>	<u>1,587</u>	<u>9,288,109</u>
-	-	-	-	203,123
6,353	-	-	1,596	8,545,109
-	6,570	153,503	-	256,007
<u>6,353</u>	<u>6,570</u>	<u>153,503</u>	<u>1,596</u>	<u>9,004,239</u>
<u>\$ -</u>	<u>\$ 17,424</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 7,202,063</u>

LUCAS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
Revenues:					
Property and other County tax	\$ 3,255,547	\$ 2,763,511	\$ 2,595,200	\$ 2,570,552	\$ 2,237,851
Interest and penalty on property tax	36,370	31,048	30,623	32,950	29,974
Intergovernmental	4,109,558	3,480,243	2,705,620	3,013,759	2,825,372
Licenses and permits	608	1,120	330	570	530
Charges for service	237,798	260,909	243,732	243,642	241,211
Use of money and property	70,810	135,694	174,241	148,062	87,911
Miscellaneous	238,354	217,186	211,031	292,174	178,076
Total	\$ 7,949,045	\$ 6,889,711	\$ 5,960,777	\$ 6,301,709	\$ 5,600,925
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,045,814	\$ 718,933	\$ 799,077	\$ 899,540	\$ 850,361
Physical health and social services	623,021	542,992	485,966	468,710	475,374
Mental health	1,032,917	994,969	953,109	797,690	716,400
County environment and education	297,233	179,324	172,466	191,722	205,009
Roads and transportation	2,891,079	2,218,959	2,314,629	2,640,561	2,243,217
Government services to residents	265,769	228,184	225,430	296,268	207,029
Administration	857,430	850,818	770,593	716,880	703,562
Non-program	-	-	173,148	-	-
Debt service	100,914	105,140	112,440	61,363	46,133
Capital projects	740,509	860,288	231,211	945,452	597,525
Total	\$ 7,854,686	\$ 6,699,607	\$ 6,238,069	\$ 7,018,186	\$ 6,044,610

See accompanying independent auditor's report.

LUCAS COUNTY

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

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 09	\$ <u>3,887</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-ED-015	<u>109,015</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO59(41) and 59(42)	207,095
Highway Planning and Construction	20.205	BROS CO59(37)	15,273
Highway Planning and Construction	20.205	BROS CO59(31)	72,154
Highway Planning and Construction	20.205	BROS CO59(32)	<u>72,424</u>
			<u>366,946</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763-IA	<u>521,753</u>
Hazard Mitigation Grant	97.039	DR-1705-0020	<u>11,821</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 09	<u>3,606</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 09	<u>6</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 09	<u>1,024</u>
Foster Care - Title IV-E	93.658	FY 09	<u>2,176</u>
Adoption Assistance	93.659	FY 09	<u>525</u>
Children's Health Insurance Program	93.767	FY 09	<u>30</u>
Medical Assistance Program	93.778	FY 09	<u>4,745</u>
Social Services Block Grant	93.667	FY 09	<u>2,363</u>
Social Services Block Grant	93.667	FY 09	<u>53,147</u>
			<u>55,510</u>

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Immunization Grants	93.268	5889I450	\$ 564
Immunization Grants	93.268	5888I450	2,698
			<u>3,262</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889NB17	2,898
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5889WW31	840
			<u>3,738</u>
Total			<u>\$ 1,088,044</u>

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

See accompanying independent auditor's report.

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

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 19, 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 Lucas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lucas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lucas County's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Lucas 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.

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

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

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

Oskaloosa, Iowa
March 19, 2010

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

To the Officials of Lucas County:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

Oskaloosa, Iowa
March 19, 2010

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
 - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lucas County did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties

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

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

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

Responses –

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

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

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

Conclusion – Responses accepted.

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

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

SIGNIFICANT DEFICIENCIES (continued):

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

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

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

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Federal Award Year: 2009
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-09 Financial Reporting – During the audit, we identified material amounts of receivables not recorded by the County. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted in any County function. However, disbursements in the road clearing department exceeded the amount appropriated.

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

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

Conclusion – Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Cathy Reece, Supervisor Owner of Reece Enterprises	Automotive parts	\$1,278

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with the County Supervisor do not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year.

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

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

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

LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

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

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

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

IV-J-09 Financial Condition – The nonmajor Special Revenue, Community Development Block Grant Fund had a negative fund balance of \$451 at June 30, 2009.

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

Response – We will seek a reimbursement for this amount, which would restore the CDBG Grant Fund to a sound financial condition.

Conclusion – Response accepted.

IV-K-09 Mobile Home Levy Rate – The County is using incorrect mobile home levy rates to calculate the mobile home taxes.

Recommendation – The County should update the mobile home levy rate each year in order to be using the correct rate based on the age of the mobile home.

Response – We will make sure we are using the correct mobile home levy rate based on the age of the mobile home in the future.

Conclusion – Response accepted.