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NEWS RELEASE

FOR RELEASE: June 28, 2010

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De Noble & Company PC today released an audit report on Lyon County, Iowa.

The County had local tax revenue of $14,788,940 for the year ended June 30, 2009, which included $782,207 in tax credits from the state. The County forwarded $10,469,156 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $4,319,784 of the local tax revenue to finance County operations, a four percent increase from the prior year. Other revenues included charges for service of $1,514,841; operating grants, contributions and restricted interest of $4,009,036; capital grants, contributions and restricted interest of $1,717,913; local option sales tax of $466,114; unrestricted investment earnings of $162,157 and other general revenues of $166,621.

Expenses for County operations totaled $10,723,669, a ten percent increase from the prior year. Expenses included $4,170,501 for roads and transportation, $2,560,073 for public safety and legal services and $1,017,080 for mental health.

Revenues of the County's governmental activities increased by $1,420,696, or thirteen percent. The increase was due mainly to capital grants/contributions received for the county environment and education and roads and transportation functions. Expenses of the County's governmental activities increased by $972,092, or ten percent. The largest increase in expenses was in the roads and transportation and public safety and legal services functions.

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

LYON COUNTY

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

June 30, 2009

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LYON COUNTY

OFFICIALS

Name	Title	Term Expires
	(Before January 2009)	
Mark Behrens	Board of Supervisors	December 31, 2008
Merle Koedam	Board of Supervisors	December 31, 2008
Randy Bosch	Board of Supervisors	December 31, 2010
Craig Block	Board of Supervisors	December 31, 2010
Steve Michael	Board of Supervisors	December 31, 2010
Wayne Grooters	County Auditor	December 31, 2008
Richard Heidloff	County Treasurer	December 31, 2010
Eldon Kruse	County Recorder	December 31, 2010
Blythe Bloemendaal	County Sheriff	December 31, 2008
Carl Petersen	County Attorney	December 31, 2010
Fred Christians	County Assessor	December 31, 2009
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite
Kandace Koll	County Health Services Administrator	Indefinite
Glenn Anderson	County Economic Development Director	Indefinite
	(Beginning January 2009)	
Randy Bosch	Board of Supervisors	December 31, 2010
Craig Block	Board of Supervisors	December 31, 2010
Steve Michael	Board of Supervisors	December 31, 2010
Mike Modder	Board of Supervisors	December 31, 2012
Merle Koedam	Board of Supervisors	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2010
Eldon Kruse	County Recorder	December 31, 2010
Blythe Bloemendaal	County Sheriff	December 31, 2012
Carl Petersen	County Attorney	December 31, 2010
Fred Christians	County Assessor	December 31, 2015
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite
Kandace Koll	County Health Services Administrator	Indefinite
Glenn Anderson	County Economic Development Director	August 24, 2009

DE NOBLE & COMPANY PC

Certified Public Accountants

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Rock Rapids, IA 51246

MEMBERS
American Institute - Certified Public Accountants
Private Companies Practice Section
Iowa Society - Certified Public Accountants

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Independent Auditor's Report

To the Officials of Lyon County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 52 through 54 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 Lyon 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 fiscal years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein). Siebrecht Spitler & De Noble PC expressed unqualified opinions on the fiscal year ended June 30, 2004 financial statements and expressed a qualified opinion on the fiscal year ended June 30, 2003 financial statements. Siebrecht Spitler & De Noble PC qualified their opinion for the fiscal year ended June 30, 2003 based on the fact they were unable to audit the financial statements supporting the financial activities of the Lyon County Conservation Foundation Fund. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 18, 2010

Lyon 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.

FISCAL YEAR 2009 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues for fiscal year 2009 were $10,889,011 compared to $10,332,142 in fiscal year 2008, an increase of $ 556,869, or 5.39%. Property and other county tax for fiscal year 2009 were $4,523,582 compared to $4,365,804 in fiscal year 2008, an increase of $157,778, or 3.61%. Other revenue classifications with larger increases included intergovernmental and miscellaneous. The charges for service classification remained about the same as the prior year and the use of money classification decreased.

- The County's governmental fund expenditures for fiscal year 2009 were $11,286,813 compared to $9,564,482 in fiscal year 2008, an increase of $1,722,331 or 18.01%. Expenditure function classifications with larger increases were roads and transportation, capital projects and public safety. Mental health, administration and debt service were expenditure functions that had decreases.

- The County's government-wide net assets for governmental activities for fiscal year 2009 were $27,187,457 compared to $25,554,660 in fiscal year 2008, an increase of $1,632,797, or 6.39%.

- Revenues of the County's governmental activities increased by $1,420,696, or 13.00%. The increase was due mainly to capital grants/contributions received for county the environment and education and roads and transportation functions.

- Expenses of the County's governmental activities increased by $972,092, or 9.97%. The largest increase in expenses was in the roads and transportation and public safety and legal services functions.

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 Lyon 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 Lyon 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 Lyon 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 further provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse 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, non-program current activities, interest on long-term debt and small capital (noncapitalized) projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are

reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3) Fiduciary Funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 Funds, Emergency Management Services Fund, County Assessor's Funds, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliation 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. Lyon County's combined net assets increased $1,632,797, or 6.39% during this fiscal year. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

Statement of Net Assets Government –Wide Activities

	June 30, 2009	June 30, 2008
Current and Other Assets	$12,145,261	11,620,371
Capital Assets	22,343,411	20,530,784
Total Assets	34,488,672	32,151,155
Other Liabilities	5,378,080	4,511,887
Long-Term Liabilities	1,923,135	2,084,608
Total Liabilities	7,301,215	6,596,495

Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,626,123	18,636,674
Restricted	4,225,096	4,251,843
Unrestricted	2,336,238	2,666,143
Total Net Assets	$ 27,187,457	25,554,660

Current and other assets increased mainly due to the amount of succeeding year property tax receivables and inventories. Other liabilities increased mainly due to the amount of accounts payable and succeeding year property tax deferred revenue. Long-term liabilities decreased due to payments made on existing long-term debt.

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased $329,905, or 12.38%, during this fiscal year.

Changes in Net Assets of Governmental Activities

	Year ended June 30, 2009	Year ended June 30, 2008
Revenues:		
Program Revenues:		
Charges for Service	$ 1,514,841	1,456,119
Operating Grants, Contributions and Restricted Interest	4,009,036	4,115,840
Capital Grants, Contributions and Restricted Interest	1,717,913	336,452
General Revenues:		
Property Tax Levied for:		
General Purposes	3,818,250	3,692,616
Debt Service	239,184	231,114
Tax Incremental Financing Revenues	27,130	17,915
Penalty and Interest on Property Tax	19,766	19,218
State Tax Credits	235,220	220,628
Local Option Sales Tax	466,114	442,135
Grants and Contributions not Restricted to Specific Purposes	34,428	53,589
Unrestricted Investment Earnings	162,157	274,877
Rents	47,957	43,383
Other General Revenues	64,470	31,884
Total Revenues	12,356,466	10,935,770

Program Expenses:		
Public Safety and Legal Services	2,560,073	2,265,187
Physical Health and Social Services	751,283	723,335
Mental Health	1,017,080	1,065,745
County Environment and Education	718,086	717,255
Roads and Transportation	4,170,501	3,620,980
Governmental Services to Residents	458,398	379,410
Administration	891,199	821,709
Non-Program Current	27,130	17,915
Interest on Long-Term Debt	77,095	83,743
Capital Projects	52,824	56,298
Total Expenses	10,723,669	9,751,577
Increase in Net Assets	1,632,797	1,184,193
Net Assets Beginning of Year	25,554,660	24,370,467
Net Assets End of Year	$ 27,187,457	25,554,660

Lyon County decreased the countywide property tax rate by 0.00415 per $1,000 of valuation and increased the rural property tax rate by 0.29535 per $1,000 of valuation. Taxable value by levy, actual levy rate per $1,000 of valuation and total dollars levied are as follows:

	Taxes Levied Fiscal Year 2009 Audit Fiscal Year	Taxes Levied Fiscal Year 2008 Prior Fiscal Year
Countywide Taxable Valuation	$ 504,398,243	$ 499,802,094
Countywide Levy Rate Without Debt Service	5.15563	5.17108
Dollars Levied Without Debt	$ 2,600,491	$ 2,584,516
Countywide Taxable Valuation for Debt Service	$ 515,882,898	$ 509,735,486
Countywide Debt Service Levy	0.48284	0.47154
Dollars Levied for Debt Service	$ 249,089	$ 240,361
Total Countywide Levy Rate	5.63847	5.64262
Total Dollars Levied Countywide	$ 2,849,580	$ 2,824,877
Rural Taxable Valuation	$ 371,879,575	$ 367,391,981
Rural Service Tax Levy	3.71023	3.41488
Dollars Levied for Rural Area Only	$ 1,379,759	$ 1,254,600
Total Dollars Levied	$ 4,229,339	$ 4,079,477

*Note: Taxable valuation as shown here is the value without gas & electric utilities.

Taxable Valuation History

Fiscal Year	Based on January 1st values	Countywide Valuation	Debt Service Valuation	Rural Service Valuation
FY 2008/2009	January 1, 2007	504,398,243	515,882,898	371,879,575
FY 2007/2008	January 1, 2006	499,802,094	509,735,486	367,391,981
FY 2006/2007	January 1, 2005	492,338,833	501,828,733	359,466,942
FY 2005/2006	January 1, 2004	447,077,945	454,922,084	324,204,340
FY 2004/2005	January 1, 2003	442,415,580	450,267,510	321,739,429
FY 2003/2004	January 1, 2002	509,898,393	516,207,605	383,207,434
FY 2002/2003	January 1, 2001	501,029,153	505,341,538	376,294,755
FY 2001/2002	January 1, 2000	499,872,106	503,854,868	377,630,000
FY 2000/2001	January 1, 1999	482,739,583	486,234,877	363,003,857

- Lyon County's fiscal year 2009 countywide taxable valuation (without utilities) increased $4,596,149 or 0.92% from fiscal year 2008; the debt service taxable valuation increased $6,147,412 or 1.21% from fiscal year 2008; and the rural service valuation increased $4,487,594 or 1.22% from fiscal year 2008.

- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on Fair Market Value and Agricultural property is based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property". The fiscal year 2009 valuations are now just nearing the valuation for fiscal year 2004.

- The amount of the costs financed by users (charges for services) increased by $58,722, or 4.03%. The largest increase was for revenues generated by the county environment and education function.

- Operating grants, contributions and restricted interest decreased by $106,804, or 2.60%. The largest decrease was for revenues generated by the roads and transportation function.

- Capital grants, contributions and restricted interest increased by $1,381,461, or 410.60%. The large increase was due to grants/contributions for land for conservation purposes, the Lake Pahoja recreation trail, infrastructure and voting equipment.

- Property and other county tax revenues increased by $133,704, or 3.41%.

- Unrestricted investment earnings decreased by $112,720, or 41.01%. The large decrease was due mainly to the drop in interest rates on investments.

- Gain on disposal of capital assets increased by $31,857 or 119.36%.

- The cost of all governmental activities this year increased by $972,092, or 9.97%. The roads and transportation function increased by $549,521, or 15.18%, and the public safety and legal services function increased by $294,886, or 13.02%.

INDIVIDUAL MAJOR FUND ANALYSIS

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2009, its Governmental Funds reported a combined fund balance of $5,351,648. This is in comparison to last fiscal year when the combined fund balance was $5,748,650. This is a decrease of $397,002 from last year, or 6.91%. The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

- **GENERAL BASIC FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Basic Fund ending fund balance was $1,241,267. This is in comparison to last fiscal year when the fund balance was $1,667,564. This is a decrease of $426,297 from last year, or 25.57%. For fiscal year 2009, expenditures totaled $3,905,069 (fiscal year 2008 = $3,526,582), an increase of $378,487, or 10.74%; operating transfers out totaled $86,444 (fiscal year 2008 = $86,010), an increase of $434, or 0.51% and revenues totaled $3,564,416 (fiscal year 2008 = $3,520,260), an increase of $44,156, or 1.26%.; other financing sources totaled $800 (fiscal year 2008 = $14,782), a decrease of $13,982, or 94.59%. The levy for fiscal year 2009 was 3.50000 (fiscal year 2008 = 3.50000); the maximum amount allowed by law is 3.50000.

  - Current property tax revenues increased due to an increase in valuations.
  - Intergovernmental revenues increased during the fiscal year due mainly to state/federal pass-thru revenues.
  - Use of money and property revenues decreased due mainly to a drop in interest rates on investments.
  - Expenditures in all related functions increased, except for administration. The functions with the largest increases were capital projects and public safety and legal services.

- **GENERAL SUPPLEMENTAL FUND**: The General Supplemental Fund is used when the basic levy is not sufficient to meet the county's needs. Expenditures the board may certify for this fund are listed in Iowa Code Section 331.424. The General Supplemental Fund ending fund balance was $310,024. This is in comparison to last fiscal year when the fund balance was $279,516. This is an increase of $30,508 from last year, or 10.92% For fiscal year 2009, expenditures totaled $610,167 (fiscal year 2008 = $515,000), an increase of $95,167, or 18.48%, and revenues totaled $640,675 (fiscal year 2008 = $601,007), an increase of $39,668, or 6.60%. The levy for fiscal year 2009 was 1.17128 (fiscal year 2008 = 1.18221).

  - The levy decreased slightly due to an increase in valuations.
  - Intergovernmental revenues increased mainly due to receiving a state grant for election equipment.

- Expenditures increased due to the rising cost of health insurance and the cost of election equipment acquired.

- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was $176,302. This is in comparison to last fiscal year when the fund balance was $103,252. This is an increase of $73,050 from last year, or 70.75%. For fiscal year 2009, expenditures totaled $1,017,862 (fiscal year 2008 = $1,069,718), a decrease of $51,856, or 4.85%, and revenues totaled $1,090,912 (fiscal year 2008 = $1,085,423), an increase of $5,489, or 0.51%. The levy for fiscal year 2009 was 0.48435 (fiscal year 2008 = 0.48887.). The County continues to look for ways to effectively manage the cost of mental health services.

  - Revenues remained consistent with the prior fiscal year.
  - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continues in fiscal year 2009 with Osceola County currently paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
  - Mental health costs decreased this fiscal year mainly due to a reduction in services needed in the mental retardation area.

- **RURAL SERVICES FUND:** The Rural Service 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, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was $669,132. This is in comparison to last fiscal year when the fund balance was $617,143. This is an increase of $51,989 from last year or 8.43%. For fiscal year 2009, expenditures totaled $861,055 (fiscal year 2008 = $777,867), an increase over last year of $83,188, or 10.70%; operating transfers totaled $1,133,419 (fiscal year 2008 = $1,119,740), an increase of $13,679, or 1.23%, and revenues totaled $2,046,463 (fiscal year 2008 = $1,842,760), an increase over last year of $203,703, or 11.06%; other financing sources totaled $-0- (fiscal year 2008 = $19,810), a decrease $19,810, or 100%. The levy for fiscal year 2009 was 3.71023 (fiscal year 2008 = 3.41488). The maximum allowed by law is 3.95000.

  - Beside tax dollars collected, local option sales tax is the other major revenue source that is deposited in this fund to reduce property taxes. Major expenditures in this fund are law enforcement patrol, libraries support and rural economic development dues.
  - Revenues increased due to larger property tax collections (valuation and levy increases), local option sales tax collections and an increase in contributions from other intergovernmental units.
  - Expenditures mainly increased in the public safety and legal services (uniformed patrol services area) function.
  - Rural Service transferred $1,133,419 to the Secondary Roads Fund in fiscal year 2009 and $1,119,740 in fiscal year 2008.

- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Secondary Roads ending fund balance was $2,782,155. This is in comparison to last fiscal year when the fund balance was $2,802,682. This is a decrease of $20,527 from last year, or 0.74%. For fiscal year 2009, expenditures totaled $4,101,871 (fiscal year 2008 = $3,280,338), an increase from last year of $821,533, or 25.05%; revenues totaled $2,861,481 (fiscal year 2008 = $2,791,218), an increase of $70,263, or 2.52%; transfers received totaled

$1,219,863 (fiscal year 2008 = $1,205,385), an increase of $14,478, or 1.21%; and other financing sources totaled $-0- (fiscal year 2008 = $20,000), a decrease of $20,000, or 100%.

- Revenues increased due to receiving FEMA funds for flood damage in Lyon County.
- Expenses in the bridges & culverts area increased mainly due to box culvert repairs.
- Expenses in the roads area increased mainly due to road patching & sealing done this fiscal year.
- Expenses in the road clearing area increased mainly due to the amount of employee salaries paid from this area.
- Expenses in the new equipment area increased due largely to the purchase of larger machinery purchases.
- Expenses in the tools, material and supplies area increased mainly due to an increase in gravel purchased.
- Expenses in the real estate & building area increased due largely because of salt shed cement walls costs.
- Expenses in the roadway construction area increased mainly due to an asphalt project east of Little Rock.

- **DEBT SERVICE FUND**: The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the 2001 Law Enforcement Center obligation bonds of $2,800,000. The Debt Service Fund ending fund balance was $11,293. This is in comparison to last fiscal year when the fund balance was $9,954. This is a $1,339 increase from last year, or 13.46%. For fiscal year 2009, expenditures totaled $252,685 (fiscal year 2008 = $249,285), an increase from last year of $3,400, and revenues totaled $254,024 (fiscal year 2008 = $247,310), an increase from last year of $6,714. This breaks down to tax collection and credits of $253,143, interest income of $881, principal payment of $175,000, interest payments of $77,285 and bond administration fees of $400.

- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include REAP, County Government Assistance, County Recorder's Records Management, Tax Increment Financing, Sheriff's Asset Forfeiture, CS Projects & Conservation Land Acquisition Trust, Well Closing Trust, Economic Development and Attorney Incentive are classified as non-major Special Revenue Funds.

  The Economic Development Fund helps to accomplish Lyon County's public purpose, which is to aggressively promote economic development with an economic development director. Lyon County and the majority of the cities in the county pay dues to fund this program. Dues are based on the population figures from the last census; each entity's dues are $10 per capita.

  The CS Projects and Conservation Land Acquisition Trust Fund allows the Conservation Department to do projects at its parks and to buy land for conservation purposes. During the fiscal year, Conservation worked on the recreation trail project at Lake Pahoja and acquired approximately 18 acres in Elgin Township and 60 acres in Garfield Township for wildlife areas.

Budgetary Highlights

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopt a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Over the course of the year, Lyon County amended its budget two times. The first amendment was adopted September 22, 2008 and resulted in an increase in budgeted revenues of $193,950 and budgeted disbursements of $285,175. Revenues increased due to expected additional intergovernmental grants (CDBG Grant) and donations for Conservation purposes. Disbursements increased for the Conservation department's purchase of land and increased costs regarding the trail project; street assessment costs; purchase of defibs; and the expected flow thru of a CDBG Grant. The second amendment was adopted May 18, 2009 and resulted in an increase in revenue of $295,557 and an increase in budgeted disbursements of $288,642. Reasons for this amendment included an expected increase in TIF revenues, intergovernmental revenues (FEMA, patrol contract with the City of Rock Rapids and state funding) and charges for service revenues; additional ambulance garage building costs; more Mental Health costs; new patrolman for Rock Rapids; Conservation paying the balance on a land contract; ambulance costs; and EMS/Veterans Affairs grant costs.

Lyon County budgets on a cash accounting basis. In fiscal year 2009, Lyon County budgeted $10,779,615 for receipts, $11,875,591 for disbursements, and budgeted an ending cash balance of $3,339,703. Lyon County actually finished the year with receipts of $10,864,765, disbursements of $11,107,942 and an ending cash balance of $4,767,255. Actual receipts for charges for service came in well over the budgeted amount. All functions actual totals came in below the amounts budgeted for disbursements.

Capital Assets and Debt Administration

Capital Assets

Lyon County concluded fiscal year 2009 with $30,370,360 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Capital Assets of Governmental Activities at Year End

	June 30, 2009	June 30, 2008
Land	$ 1,705,819	1,490,009
Buildings & Improvements	6,862,284	6,424,069
Machinery, Equipment & Vehicles	9,050,381	8,613,526
Infrastructure	12,751,876	10,941,933
Construction in Progress	0	201,036
Total	$ 30,370,360	27,670,573

This year's major asset additions included:
Ambulance:
New Ambulance Garage Building $198,008
Conservation:
Phase II Trail Project $240,207
Land-Boersma $172,102
Land-Venenga $48,600
PVC Playground Equipment $24,104
Secondary Road:
Road Projects in the Amounts of $804,833, $153,837 and $851,223
2009 Gradall $243,390
2009 Cat Motorgrader $269,598
3102 WF Printer $26,500
2007 Doge Ram Pickup $20,000
2009 Chevy Pickup $27,150
Sheriff:
2009 Chevy Impala $27,190

The County had depreciation expense of $1,154,834 in fiscal year 2009 and total accumulated depreciation of $8,026,949 as of June 30, 2009.

Long-Term Debt

Lyon County issued general obligation bonds on November 1, 2001 in the amount of $2,800,000 for the law enforcement center. The paying agent is Bankers Trust of Des Moines. On June 30, 2009, Lyon County's outstanding debt for general obligation bonds was $1,710,000; compared to $1,885,000 on June 30, 2008.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for $18,220. The promissory note provides for annual principal payments on October 15 in the amount of $1,822. On June 30, 2009, the remaining balance was $7,288; compared to $9,110 on June 30, 2008.

Outstanding Long-Term Debt of Governmental Activities at Year-End

	June 30, 2009	June 30, 2008
Land Loan Payable	$ 7,288	9,110
Compensated Absences	205,847	190,498
General Obligation Bonds	1,710,000	1,885,000
Total	$ 1,923,135	2,084,608

Lyon County does not have a general obligation bond rating, but according to the State Treasurer's Office, Lyon County's general obligation bonds were issued with insurance by MBIA; therefore, the bonds assume MBIA's credit rating: BB+. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. (This figure is 100% valuation less military exemptions). Lyon County's

outstanding general obligation debt is significantly below its constitutional debt limit of approximately $37 million. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates (Fiscal Year 2010)

Lyon 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. One of those factors is the economy. Unemployment in Lyon County in December 2008 was at 3.1% (December 2009 was at 4.2%). This compared with the State's December 2008 unemployment rate of 4.4% (December 2009 was at 6.6%) and the national rate of 7.2% (December 2009 was at 10.0%).

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's November 2008 CPI rate was 201.737 (December 2009 = 205.613). The national November 2008 CPI rate was 212.425 (December 2009 = 215.949). The State's November 2008 CPI rate was 10.688 lower than the National CPI rate (December 2009 = 10.336).

These indicators affect the adopted budget for fiscal year 2010. Total disbursements and transfers in the fiscal year 2010 operating budget is $12,424,884, compared to $12,521,637 in the original budget for fiscal year 2009; a decrease of $96,753, or 0.78%. Utility replacement and property tax dollars in the 2010 budget is $4,651,417, compared to $4,293,910 in 2009; an increase of $357,507, or 8.33%. Countywide valuations (with utilities) for fiscal year 2010 are $541,082,712, compared to $512,260,537 in fiscal year 2009, an increase of $28,822,175, or 5.63%. Rural valuations (with utilities) for fiscal year 2010 are $399,789,422, compared to $377,334,835 in fiscal year 2009, an increase of $22,454,587, or 5.95%.

Budgeted disbursements for fiscal year 2010 are less than the original budgeted disbursements for fiscal year 2009. Budgeted transfers to the Secondary Roads Fund are $1,200,867 from the Rural Services Fund and $0 from the General Basic Fund. Health insurance costs increased 5%. Salaries increased as follows: Supervisors and jailers 0%, elected officials' salaries increased 2%; Assessor and Conservation 4%; Secondary Road crew 3.92%; dispatch 3%-20%; economic development 8%; the balance remaining received a 2% increase. Capital projects decreased by $833,228, or 79%, and the largest function increase was in roads and transportation which increased $681,710 or 20%.

Iowa Code limits the General Fund levy rate to $3.50 per $1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2010 is 1.40000. The General Supplemental levy was increased by 0.22872 compared to fiscal year 2009.

Iowa Code limits the Rural Services Basic levy rate to $3.95 per $1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy is 3.75198; an increase of 0.04175 compared to fiscal year 2009.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon 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:

Wayne Grooters
Lyon County Auditor
206 South 2nd Avenue
Rock Rapids, Iowa.
(712) 472-3713

Lyon County Board of Supervisors:

Steve Michael	District #1
Merle Koedam	District #2
Mike Modder	District #3
Randy Bosch	District #4
Craig Block	District #5

Sources: Unemployment: http://www.iowaworkforce.org http://iwin.iwd.state.ia.us
Consumer Price index (Bureau of Labor Statistics): http://www.bls.gov
State Auditor's Office: http://auditor.iowa.gov
Credit Rating: http://www.standardandpoors.com

Lyon County

Basic Financial Statements

Exhibit A

Lyon County

Statement of Net Assets

June 30, 2009

	Governmental Activities
Assets	
Cash and Pooled Investments	$ 5,893,973
Receivables:	
Property Tax:	
Delinquent	791
Succeeding Year	4,409,813
Tax Increment Financing:	
Succeeding Year	28,097
Interest and Penalty on Property Tax	262
Accounts	240,616
Accrued Interest	13,909
Due from Agency Funds	69,527
Due from Other Governments	549,430
Inventories	816,970
Prepaid Expenses	51,080
Prepaid Lease	70,793
Capital Assets (Net of Accumulated Depreciation)	22,343,411
Total Assets	34,488,672
Liabilities	
Accounts Payable	724,671
Accrued Interest Payable	5,763
Salaries and Benefits Payable	53,460
Compensated Absences Payable	2,167
Contracts Payable	12,077
Due to Other Governments	142,032
Deferred Revenue:	
Succeeding Year Property Tax	4,409,813
Succeeding Year Tax Increment Financing	28,097
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Land Loan Payable	1,822
General Obligation Bonds	185,000
Compensated Absences	205,847

Exhibit A (Continued)

Lyon County

Statement of Net Assets

June 30, 2009

Liabilities (Continued)	
Long-Term Liabilities (Continued):	
Portion Due or Payable After One Year:	
Land Loan Payable	5,466
General Obligation Bonds	1,525,000
Total Liabilities	7,301,215
Net Assets	
Invested in Capital Assets, Net of Related Debt	20,626,123
Restricted for:	
Supplemental Levy Purposes	310,030
Jail Improvements/Courthouse Security	77,844
Mental Health Purposes	173,511
Rural Services Purposes	640,791
Secondary Roads Purposes	2,855,911
Debt Service	5,533
Other Purposes	161,476
Unrestricted	2,336,238
Total Net Assets	$ 27,187,457

See notes to financial statements.

Exhibit B

Lyon County

Statement of Activities

Year Ended June 30, 2009

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants Contributions and Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
Functions/Programs:					
Governmental Activities:					
Public Safety and Legal Services	$ 2,560,073	611,613	60,888	0	(1,887,572)
Physical Health and Social Services	751,283	359,795	183,480	0	(208,008)
Mental Health	1,017,080	24,638	819,707	0	(172,735)
County Environment and Education	718,086	223,570	140,814	222,820	(130,882)
Roads and Transportation	4,170,501	52,440	2,799,724	1,455,070	136,733
Governmental Services to Residents	458,398	239,458	2,573	40,023	(176,344)
Administration	891,199	3,327	1,850	0	(886,022)
Non-Program Current	27,130	0	0	0	(27,130)
Interest on Long-Term Debt	77,095	0	0	0	(77,095)
Capital Projects	52,824	0	0	0	(52,824)
Total	$ 10,723,669	1,514,841	4,009,036	1,717,913	(3,481,879)

General Revenues:	
Property and Other County Tax Levied for:	
General Purposes	3,818,250
Debt Service	239,184
Tax Increment Financing	27,130
Penalty and Interest on Property Tax	19,766
State Tax Credits	235,220
Local Option Sales Tax	466,114
Grants and Contributions Not Restricted to Specific Purpose	34,428
Unrestricted Investment Earnings	162,157
Rents	47,957
Gain on Disposal of Capital Assets	58,547
Miscellaneous	5,923
Total General Revenues	5,114,676
Change in Net Assets	1,632,797
Net Assets Beginning of Year	25,554,660
Net Assets End of Year	$ 27,187,457

See notes to financial statements.

Exhibit C

Lyon County

Balance Sheet
Governmental Funds

June 30, 2009

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads	Debt Service	Nonmajor Special Revenue	Total
Assets							
Cash and Pooled Investments	$ 1,469,329	327,688	596,446	2,199,528	11,249	163,015	4,767,255
Receivables:							
Property Tax:							
Delinquent	501	46	197	0	47	0	791
Succeeding Year	2,513,852	231,466	1,425,353	0	239,142	0	4,409,813
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	28,097	28,097
Interest and Penalty on Property Tax	262	0	0	0	0	0	262
Accounts	158,291	0	198	6,287	0	417	165,193
Accrued Interest	13,909	0	0	0	0	0	13,909
Due from Agency Funds	68,606	0	0	0	0	921	69,527
Due from Other Governments	71,291	5,278	81,810	389,306	0	1,745	549,430
Inventories	8,880	41	35	808,014	0	0	816,970
Prepaid Expenditures	28,942	0	0	0	0	0	28,942
Prepaid Lease	0	0	0	70,793	0	0	70,793
Total Assets	$ 4,333,863	564,519	2,104,039	3,473,928	250,438	194,195	10,920,982

Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	$ 50,365	30,362	1,532	489,685	0	2,456	574,400
Salaries and Benefits Payable	22,502	0	7,747	23,211	0	0	53,460
Compensated Absences	0	0	0	0	0	2,167	2,167
Contracts Payable	12,077	0	0	0	0	0	12,077
Due to Other Governments	7,553	126,387	275	7,817	0	0	142,032
Deferred Revenue:							
Succeeding Year Property Tax	2,513,852	231,466	1,425,353	0	239,142	0	4,409,813
Succeeding Year Tax Increment Financing	0	0	0	0	0	28,097	28,097
Other	176,223	2	0	171,060	3	0	347,288
Total Liabilities	2,782,572	388,217	1,434,907	691,773	239,145	32,720	5,569,334
Fund Balances:							
Reserved for:							
Supplemental Levy Purposes	310,024	0	0	0	0	0	310,024
Debt Service	0	0	0	0	11,293	0	11,293
Jail Improvements/Courthouse Security	23,607	0	0	0	0	0	23,607
Unreserved:							
Undesignated, Reported In:							
General Fund	1,017,660	0	0	0	0	0	1,017,660
Special Revenue Funds	0	176,302	669,132	2,782,155	0	161,475	3,789,064
Designated For:							
Ambulance Purposes	100,000	0	0	0	0	0	100,000
Courthouse Purposes	100,000	0	0	0	0	0	100,000
Total Fund Balances	1,551,291	176,302	669,132	2,782,155	11,293	161,475	5,351,648
Total Liabilities and Fund Balances	$ 4,333,863	564,519	2,104,039	3,473,928	250,438	194,195	10,920,982

See notes to financial statements.

Exhibit D

Lyon County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2009

Total Governmental Fund Balances (pages 21-22)	$ 5,351,648
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $30,370,360 and the accumulated depreciation is $8,026,949.	22,343,411
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	347,288
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	1,074,008
Long-term liabilities, including the accrued interest payable, land loan payable, general obligation bonds payable and certain compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,928,898)
Net Assets of Governmental Activities (pages 18-19)	$ 27,187,457

See notes to financial statements.

Exhibit E

Lyon County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2009

		Special Revenue				Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Special Revenue	Total
Revenues:							
Property and Other County Tax	$ 2,261,522	232,247	1,790,627	0	239,186	0	4,523,582
Tax Increment Financing	0	0	0	0	0	27,130	27,130
Interest and Penalty on Property Tax	19,766	0	0	0	0	0	19,766
Intergovernmental	938,645	851,153	243,656	2,819,440	13,957	276,893	5,143,744
Licenses and Permits	46,561	0	9,855	2,796	0	0	59,212
Charges for Service	707,511	7,512	36	3,054	0	45,198	763,311
Use of Money and Property	211,480	0	0	225	881	1,304	213,890
Miscellaneous	19,606	0	2,289	35,966	0	80,515	138,376
Total Revenues	4,205,091	1,090,912	2,046,463	2,861,481	254,024	431,040	10,889,011
Expenditures:							
Operating:							
Public Safety and Legal Services	1,768,641	0	690,502	0	0	1,941	2,461,084
Physical Health and Social Services	738,092	0	20,200	0	0	0	758,292
Mental Health	0	1,017,862	0	0	0	0	1,017,862
County Environment and Education	486,171	0	149,255	0	0	110,500	745,926
Roads and Transportation	0	0	0	3,900,660	0	0	3,900,660
Governmental Services to Residents	442,846	0	1,098	0	0	7,218	451,162
Administration	855,233	0	0	0	0	0	855,233
Non-Program Current	0	0	0	0	0	27,130	27,130
Debt Service	0	0	0	0	252,685	0	252,685

Capital Projects	224,253	0	0	201,211	0	391,315	816,779
Total Expenditures	4,515,236	1,017,862	861,055	4,101,871	252,685	538,104	11,286,813
Excess (Deficiency) of Revenues Over (Under) Expenditures	(310,145)	73,050	1,185,408	(1,240,390)	1,339	(107,064)	(397,802)
Other Financing Sources (Uses):							
Sale of Capital Assets	800	0	0	0	0	0	800
Operating Transfers In	0	0	0	1,219,863	0	51,685	1,271,548
Operating Transfers Out	(86,444)	0	(1,133,419)	0	0	(51,685)	(1,271,548)
Total Other Financing Sources (Uses)	(85,644)	0	(1,133,419)	1,219,863	0	0	800
Net Change in Fund Balances	(395,789)	73,050	51,989	(20,527)	1,339	(107,064)	(397,002)
Fund Balances Beginning of Year	1,947,080	103,252	617,143	2,802,682	9,954	268,539	5,748,650
Fund Balances End of Year	$ 1,551,291	176,302	669,132	2,782,155	11,293	161,475	5,351,648

See notes to financial statements.

Exhibit F

Lyon 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 (pages 24-25)		$ (397,002)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets were exceeded by depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 1,556,897	
Capital assets contributed by the Iowa Department of Transportation	1,455,070	
Depreciation expense	(1,154,834)	1,857,133
In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report only the proceeds from the disposition of capital assets as an increase in financial resources.		(44,506)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property Tax	(34)	
Other	(57,779)	(57,813)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. There were no current year debt issuances. Current year repayments were as follows:		
Repaid		176,822
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	(15,349)	
Interest on long-term debt	589	(14,760)
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		112,923
Change in Net Assets of Governmental Activities (page 20)		$ 1,632,797

See notes to financial statements.

Exhibit G

Lyon County

Statement of Net Assets
Proprietary Fund

June 30, 2009

	Internal Service - Employee Group Health
Assets	
Cash and Cash Equivalents	$ 1,126,718
Accounts Receivable	75,423
Prepaid Expenses	22,138
Total Assets	1,224,279
Liabilities	
Accounts Payable	150,271
Net Assets	
Unrestricted	$ 1,074,008

See notes to financial statements.

Exhibit H

Lyon County

Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2009

		Internal Service – Employee Group Health
Operating Revenues:		
Reimbursements from Governmental Funds		$ 1,076,100
Reimbursements from Agency Funds (Assessor/Assessor – Special Appraisers)		51,575
Reimbursements from Current Employees		96,320
Reimbursements from Retired Employees		2,580
Insurance Reimbursements/Pharmacy Rebates		188,658
Total Operating Revenues		1,415,233
Operating Expenses:		
Medical Claims	$ 1,053,993	
Insurance Premiums	238,076	
Administrative Fees	20,769	
Certification of Insurance	100	
Chapter 509A Filing Fee	925	
Miscellaneous Fees	100	1,313,963
Operating Income		101,270
Non-Operating Revenues:		
Interest Income		11,653
Net Income		112,923
Net Assets Beginning of Year		961,085
Net Assets End of Year		$ 1,074,008

See notes to financial statements.

Exhibit I

Lyon County

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2009

	Internal Service - Employee Group Health
Cash Flows from Operating Activities:	
Cash Received from Governmental Fund Reimbursements	$ 1,076,100
Cash Received from Agency Fund Reimbursements	51,575
Cash Received from Current and Retired Employees	98,900
Cash Received from Insurance Reimb./Pharmacy Rebates	121,231
Cash Paid to Suppliers for Services/Charges	(1,258,080)
Net Cash Provided by Operating Activities	89,726
Cash Flows from Investing Activities:	
Interest on Investments	11,653
Net Increase in Cash and Cash Equivalents	101,379
Cash and Cash Equivalents Beginning of Year	1,025,339
Cash and Cash Equivalents End of Year	$ 1,126,718
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 101,270
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) in Accounts Receivable	(67,427)
Decrease in Prepaid Expenses	5,775
Increase in Accounts Payable	50,108
Net Cash Provided by Operating Activities	$ 89,726

See notes to financial statements.

Exhibit J

Lyon County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets		
Cash and Pooled Investments:		
County Treasurer	$	652,606
Other County Officials		68,655
Flex Spending Plan		4,154
Receivables:		
Property Tax:		
Delinquent		2,329
Succeeding Year		9,930,518
Tax Increment Financing:		
Succeeding Year		335,085
Accounts		18,738
Special Assessments		2,752
Due from Other Agency Fund		295
Due from Other Governments		11,542
Inventories		1,680
Total Assets		11,028,354
Liabilities		
Accounts Payable		8,668
Due to County Funds		69,527
Due to Other Agency Fund		295
Due to Other Governments		10,851,914
Trusts Payable		81,721
Compensated Absences		16,229
Total Liabilities		11,028,354
Net Assets	$	0

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Lyon 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. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

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

A. Reporting Entity

For financial reporting purposes, Lyon 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. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), and the Northwest Iowa Contracting Consortium. 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 an Agency Fund of the County for the Assessor, Joint E911 Service, and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), and the Northwest Iowa Contracting Consortium. During the year ended June 30, 2009, the County did not receive any revenue from or contribute any money to the Region III Hazardous Material Response Commission or the Lyon County Economic Development Consortium. The County paid $315 to the Northwest Iowa Solid Waste Agency for florescent bulbs disposal, $15,150 to YES for juvenile services provided, $50 to the Northwest Iowa Contracting Consortium for membership dues and $37,500 in support for the Emergency Management Services. The Joint E911 Service paid the County $5,000 for sign work, supplies and dispatching services; the Emergency Management Services paid the County $2,400 for office space rent and $682 for phone privileges; and the County Assessor contributed $51,575 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a

liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year 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, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to various funds, current employees and retired employees for health plan costs and insurance reimbursements. Operating expenses for the Internal Service Fund include the cost of services and administrative related

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2007 assessed property valuations; are for the tax accrual period July 1, 2008 through June 30, 2009 and reflect 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.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, that was not paid to the County as of June 30, 2009. The General Fund accounts receivable total includes $90,395 in jail fees receivables and $28,551 in ambulance charges receivables that were not collected within sixty days after year end. It is possible that a large portion of these jail fees and ambulance charges receivables may not be collected within one year.

Due from Agency Funds, Due from Other Agency Funds, Due to County Funds, and Due to Other Agency Funds – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement, health insurance coverage and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, drainage systems 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. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	$ 50,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Machinery and Equipment	3 – 15
Vehicles	3 – 10

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for the cost of

vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees that have resigned, retired or had their employment terminated. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose (including inmate room and board collections reserved for jail improvements/courthouse security in accordance with Chapter 356.7(5) of the Code of Iowa). Designations of fund balance represent tentative management plans that are subject to change. Designated equity reported in the governmental fund financial statements for the County is intended for the following purposes:

Fund	Purpose
General Fund	Specified for remaining costs on the new ambulance building and replacement of an ambulance vehicle and courthouse repair/ improvement projects (building and grounds projects).

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

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

The County is authorized by statute and its written investment policy 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; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2009, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FHLMC	SER 2115 CL	January, 2029	$ 90,277
FHLMC	SER 1570 CL	August, 2023	19,961
			$ 110,238

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of $1,696,494 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of $45,422, that are not subject to risk categorization.

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

Credit risk. The investments in the FHLMCs, Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2009 are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2009.

(3) Due from Agency Funds, Due from Other Agency Funds, Due to County Funds, and Due to Other Agency Funds

The detail of receivables and payables between the County's different governmental funds and agency funds and between different agency funds for transactions at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Conservation)	$ 57,616
	Auto License and Use Tax	10,990
Special Revenue:	Agency:	
County Recorder's Records Management	County Offices (Recorder)	921
Agency:	Agency:	
Other (Co. Recorder's Electronic Fee)	County Offices (Recorder)	295
Total		$ 69,822

These balances result from the time lag between the dates money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
CS Project & Conservation Land Acquisition Trust	Resource Enhancement and Protection	$ 51,685
Secondary Roads	General	86,444
	Special Revenue:	
	Rural Services	1,133,419
Total		$ 1,271,548

The transfer from the Resource Enhancement and Protection Fund to the CS Project & Conservation Land Acquisition Trust Fund was to assist in the purchase of land for conservation purposes. The General and Rural Services Fund transfers to the Secondary Roads Fund were generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The County Assessor-Special Appraisers Agency Fund also transferred $35,000 to the County Assessor Agency Fund to assist the County Assessor Fund in covering operating costs. Please see "Schedule of Findings – Other Findings Related to Required Statutory Reporting: 09-10" regarding this transfer.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 1,490,009	215,810	0	1,705,819
Construction in Progress	201,036	2,047,122	(2,248,158)	0
Total Capital Assets Not Being Depreciated	1,691,045	2,262,932	(2,248,158)	1,705,819
Capital Assets Being Depreciated:				
Buildings	5,946,862	198,008	0	6,144,870
Improvements Other Than Buildings	477,207	240,207	0	717,414
Machinery, Equipment and Vehicles	8,613,526	749,035	(312,180)	9,050,381
Infrastructure	10,941,933	1,809,943	0	12,751,876
Total Capital Assets Being Depreciated	25,979,528	2,997,193	(312,180)	28,664,541
Less Accumulated Depreciation For:				
Buildings	1,449,935	137,114	0	1,587,049
Improvements Other Than Buildings	244,541	32,585	0	277,126
Machinery, Equipment and Vehicles	4,356,846	566,228	(267,674)	4,655,400
Infrastructure	1,088,467	418,907	0	1,507,374
Total Accumulated Depreciation	7,139,789	1,154,834	(267,674)	8,026,949
Total Capital Assets Being Depreciated, Net	18,839,739	1,842,359	(44,506)	20,637,592
Governmental Activities Capital Assets, Net	20,530,784	4,105,291	(2,292,664)	22,343,411

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	$ 168,748
Physical Health and Social Services	701
County Environment and Education	75,287
Roads and Transportation	849,302
Governmental Services to Residents	13,330
Administration	47,466
Total Depreciation Expense – Governmental Activities	$ 1,154,834

(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. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	$ 7,553
Special Revenue:		
Mental Health	Services	126,387
Rural Services		275
Secondary Roads	Services	7,817
		134,479
Total for Governmental Funds		$ 142,032
Agency:		
County Offices	Collections	$ 11,070
Agricultural Extension Education		155,906
County Assessor		150,957
County Assessor – Special Appraisers		160,574
Schools		7,116,669
Community Colleges		340,470
Corporations		2,287,192
Townships		188,033
Auto License and Use Tax		243,046
E911 Surcharge		146,780
E911 Operating		8,008
Emergency Management		37,160
All Other		6,049
Total for Agency Funds		$ 10,851,914

(7) Short-Term Loan for Land Purchase

In July 2008, the Lyon County Conservation Board agreed to purchase 61.8 acres of land from the Iowa Natural Heritage Foundation for $166,860 plus tax proration, all closing costs and any other Foundation costs with respect to the acquisition and holding of this land (including interest expense). In August 2008, the County paid $100,000 to the Foundation from the CS Projects & Conservation Land Acquisition Trust Fund toward this land purchase. In June 2009, the County paid $71,289 to the Foundation toward this land purchase; $26,000 was paid by the General Fund and $45,289 was paid by the CS Projects & Conservation Land Acquisition Trust Fund. Of the $171,289 paid to the Iowa National Heritage Foundation, $168,145 was for cost of the land, tax proration, closing costs and staff costs and $3,144 was for interest expense.

(8) Changes in Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Land Loan	Total
Balance Beginning of Year	$ 1,885,000	190,498	9,110	2,084,608
Increases	0	328,631	0	328,631
Decreases	(175,000)	(313,282)	(1,822)	(490,104)
Balance End of Year	$ 1,710,000	205,847	7,288	1,923,135
Due Within One Year	$ 185,000	205,847	1,822	392,669

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.10%	$ 185,000	70,110	255,110
2011	4.10%	190,000	62,525	252,525
2012	4.10%	200,000	54,735	254,735
2013	4.10%	210,000	46,535	256,535
2014	4.10%	215,000	37,925	252,925
2015	4.10%	225,000	29,110	254,110
2016	4.10%	235,000	19,885	254,885
2017	4.10%	250,000	10,250	260,250
Total		$ 1,710,000	331,075	2,041,075

The general obligation bonds, which were issued for the new law enforcement center, were issued at a $35,000 discount (total general obligation bonds issued = $2,800,000; net proceeds = $2,765,000). Taking into consideration the discount amount, the actual net interest rate is 4.219% on these bonds.

During the year ended June 30, 2009, the County retired $175,000 of the general obligation bonds issued for the new law enforcement center, paid $77,285 in interest and $400 in bond administration fees. These general obligation bonds are being redeemed through the Debt Service Fund.

Please see "Note (16) – Subsequent Events" for information on early redemption in fiscal year 2009-2010 of these general obligation bonds by the issuance of refinancing general obligation bonds.

Land Loan Payable

During the fiscal year ended June 30, 2003, the County purchased real estate for conservation purposes for $59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of $1,822 on the 15th of each October until the note is satisfied. Payments of the $1,822 are scheduled to be paid annually until October 15, 2012. The County paid off $1,822 of the loan during the fiscal year ended June 30, 2009, resulting in a loan balance of $7,288 on June 30, 2009. This loan is being satisfied through the General Fund.

(9) Operating Lease Arrangements

Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to $100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The $70,793, reported as a prepaid lease asset in the Statement of Net Assets and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2009 until September 24, 2030.

Office Space in the Annex Building

The Secondary Roads Fund paid the General Fund $12,000 during fiscal year ended June 30, 2009 for the County Engineer's department office space in the Lyon County annex building.

(10) 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 $261,471, $228,751 and $215,236, respectively, equal to the required contributions for each year.

(11) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009 were $155,744.

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

to $100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of $2,000,000, employee blanket bonding in the amount of $200,000 and credit card forgery in the amount of $25,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $40,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Gerber Life Insurance Company. The stop loss insurance coverage has a maximum lifetime reimbursement amount of $2,000,000 per eligible participant and an annual maximum aggregate reimbursement of $1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums, and claims processed are paid to First Administrators, Inc. from the Employee Group

Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2009 were $1,076,100. The County Assessor/County Assessor – Special Appraisers contributed $51,575 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total $150,271, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was $1,074,008 at June 30, 2009 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	$ 100,163
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2009):	
Current and prior year events	1,053,993
Payments:	
Current and prior year events	(1,003,885)
Unpaid medical claims end of fiscal year	$ 150,271

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

(13) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2009, except for $315 to dispose florescent bulbs.

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 County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at $1,992,775 as of June 30, 2009 and the portion of the liability that has been recognized by the Agency as of June 30, 2009 is $1,073,033.

The estimated remaining life of the landfill is 30 years and the capacity used at June 30, 2009 is approximately 54 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2009, assets of $1,418,821 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

(14) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. This agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charges for fiscal years ending June 30, 2010-2011 are $9,988 per year for a total of $19,976. In fiscal years ending June 30, 2012 and June 30, 2013, the annual base charge will be revised to adjust for program costs and the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2012-17 would be $9,988 per year for a total of $59,928. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid $9,988 per the agreement during the fiscal year ended June 30, 2009.

The County has passed a resolution to continue support of the Family Crisis Center of Northwest Iowa at a minimum amount of $2,500 per year through fiscal year ending June 30, 2010. The County's minimum commitment under this resolution for the fiscal year ending June 30, 2010 is $2,500. The County paid $2,500 out of the General Fund on this commitment during the fiscal year ended June 30, 2009.

The County has an agreement for the rental of a mailing system until June 30, 2011. The annual payment due in quarterly installments to be paid by the General Fund will be $1,380 per year from July 1, 2009 to June 30, 2011 for a total amount of $2,760. If specified budgetary funding criteria are not met by the County, this agreement can be terminated at the end of any fiscal year. The County paid $1,380 out of the General Fund on this commitment during the fiscal year ended June 30, 2009.

In March 2008, the County agreed to reimburse the City of Rock Rapids 33% of costs incurred for construction improvements on a street. As of June 30, 2009, no costs had been paid on this agreement. Payment to the City toward this agreement will be paid after the City bills the County for the County's share of the project costs (see Note (16) – Subsequent Events for payment information).

In July 2008, the County approved contributing $5,000 from the General Fund to Northwest Iowa Community College in fiscal year ending June 30, 2010 to be used as matching funds for a Help Secure Vision Iowa Grant application.

In April 2009, the County approved the purchase of a new Kenworth truck for Secondary Roads to be paid and delivered in fiscal year ending June 30, 2010 (see Note (16) – Subsequent Events for payment and delivery information).

(15) Contingency

In May 2010, the County was notified that the County has been named as a defendant in a lawsuit relating to an accident in January 2009 between a delivery truck and a County snow plow. The County denies any liability in this dispute. The County does carry insurance coverage for this type of risk and this issue has been passed on to the insurance carrier's legal counsel. No amount for any possible liability is reflected in the County's financial statements.

(16) Subsequent Events

Events that have occurred subsequent to June 30, 2009 include the following:

a. In September 2009, the County paid $55,000 from the Secondary Roads Fund for the purchase of bedding materials.

b. In September 2009, the County was awarded a grant from the Department of Justice for $107,781 to be used to purchase security equipment and to hire security guards on court days. The grant will be recorded through the General Fund.

c. In October 2009, the county paid $87,429 for and was delivered a Kenworth Truck. The truck was purchased through the Secondary Roads Fund. This was the truck approved by the Board of Supervisors in April 2009.

d. In December 2009 and May 2010, the County paid a total of $88,190 through the Secondary Roads Fund for the painting of road centerlines.

e. In March 2010, the County paid the City of Rock Rapids $34,281 from the Secondary Roads Fund for the County's 33% share of costs incurred for construction improvements on a street. The County approved this arrangement in March 2008.

f. In March 2010, the County entered into a loan agreement for $1,540,000 for the purpose of refunding the County's general obligation bonds dated November 1, 2001. In May 2010, the County received $1,535,537 in net bond proceeds after removal of bond fees for the $1,540,000 general obligation refunding bonds, series 2010 A dated March 15, 2010 (maturing June 1, 2011-2017). The new bonds carry interest rates that range from 2.00% to 2.95%. The total outstanding balance of the November 1, 2001 general obligation bonds, $1,710,000, were redeemed in May 2010 ($185,000 from debt service taxes and $1,525,000 from the refunding bond proceeds).

(17) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Lyon County

Required Supplementary Information

Lyon 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 Original	Budgeted Amounts Final	Final to Actual Variance
Receipts:				
Property and Other County Tax	$ 4,545,162	4,544,385	4,544,516	646
Interest and Penalty on Property Tax	19,546	20,050	20,050	(504)
Intergovernmental	5,126,592	4,744,248	5,133,624	(7,032)
Licenses and Permits	59,267	51,275	51,275	7,992
Charges for Service	771,566	632,470	652,470	119,096
Use of Money and Property	208,886	238,105	238,105	(29,219)
Miscellaneous	133,746	59,575	139,575	(5,829)
Total Receipts	10,864,765	10,290,108	10,779,615	85,150
Disbursements				
Public Safety and Legal Services	2,459,788	2,475,690	2,551,562	91,774
Physical Health and Social Services	760,414	867,394	877,394	116,980
Mental Health	1,025,401	1,073,393	1,127,317	101,916
County Environment and Education	722,628	756,425	756,425	33,797
Roads and Transportation	3,779,548	3,409,500	3,929,500	149,952
Governmental Services to Residents	414,305	472,788	472,788	58,483
Administration	877,733	912,471	942,771	65,038
Non-Program Current	27,130	27,000	137,131	110,001
Debt Service	252,685	252,885	252,885	200
Capital Projects	788,310	1,054,228	827,818	39,508
Total Disbursements	11,107,942	11,301,774	11,875,591	767,649
Deficiency of Receipts Under Disbursements	(243,177)	(1,011,666)	(1,095,976)	852,799
Other Financing Sources, Net	100	0	0	100
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(243,077)	(1,011,666)	(1,095,976)	852,899
Balances Beginning of Year	5,010,332	4,435,679	4,435,679	574,653
Balances End of Year	$ 4,767,255	3,424,013	3,339,703	1,427,552

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 10,864,765	24,246	10,889,011
Expenditures	11,107,942	178,871	11,286,813
Net	(243,177)	(154,625)	(397,802)
Other Financing Sources, Net	100	700	800
Beginning Fund Balances	5,010,332	738,318	5,748,650
Ending Fund Balances	$ 4,767,255	584,393	5,351,648

See accompanying independent auditor's report.

Lyon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $573,817. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2009, disbursements did not exceed the amount budgeted in any function or the amount appropriated in any department.

Lyon County

Other Supplementary Information

Lyon County

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2009

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Assets				
Cash and Pooled Investments	$ 18,248	10,669	20,406	3,692
Receivables:				
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accounts Receivable	0	0	0	0
Due from Agency Funds	0	0	921	0
Due from Other Governments	0	0	0	0
Total Assets	$ 18,248	10,669	21,327	3,692
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$ 0	0	0	0
Compensated Absences	0	0	0	0
Deferred Revenue:				
Succeeding Year Tax Increment Financing	0	0	0	0
Total Liabilities	0	0	0	0
Fund Equity:				
Fund Balances:				
Unreserved	18,248	10,669	21,327	3,692
Total Liabilities and Fund Balances	$ 18,248	10,669	21,327	3,692

See accompanying independent auditor's report.

Schedule 1

County Tax Increment Financing	CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Total
0	9,418	27,973	53,905	18,704	163,015
28,097	0	0	0	0	28,097
0	216	0	201	0	417
0	0	0	0	0	921
0	0	0	935	810	1,745
28,097	9,634	27,973	55,041	19,514	194,195
0	0	0	2,456	0	2,456
0	0	0	2,167	0	2,167
28,097	0	0	0	0	28,097
28,097	0	0	4,623	0	32,720
0	9,634	27,973	50,418	19,514	161,475
28,097	9,634	27,973	55,041	19,514	194,195

Lyon County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2009

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Revenues:				
Tax Increment Financing	$ 0	0	0	0
Intergovernmental	0	15,634	0	25
Charges for Service	0	0	3,382	0
Use of Money and Property	0	316	248	0
Miscellaneous	0	0	0	200
Total Revenues	0	15,950	3,630	225
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	0
County Environment and Education	0	0	0	0
Governmental Services to Residents	0	0	7,218	0
Non-Program Current	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	0	7,218	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	15,950	(3,588)	225
Other Financing Sources (Uses):				
Operating Transfer In	0	0	0	0
Operating Transfer Out	0	(51,685)	0	0
Total Other Financing Sources (Uses)	0	(51,685)	0	0
Net Change in Fund Balances	0	(35,735)	(3,588)	225
Fund Balances Beginning of Year	18,248	46,404	24,915	3,467
Fund Balance End of Year	$ 18,248	10,669	21,327	3,692

See accompanying independent auditor's report.

Schedule 2

County Tax Increment Financing	CS Project & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Total
27,130	0	0	0	0	27,130
0	150,314	0	107,410	3,510	276,893
0	41,816	0	0	0	45,198
0	740	0	0	0	1,304
0	77,505	0	2,810	0	80,515
27,130	270,375	0	110,220	3,510	431,040
0	0	0	0	1,941	1,941
0	0	0	110,500	0	110,500
0	0	0	0	0	7,218
27,130	0	0	0	0	27,130
0	391,315	0	0	0	391,315
27,130	391,315	0	110,500	1,941	538,104
0	(120,940)	0	(280)	1,569	(107,064)
0	51,685	0	0	0	51,685
0	0	0	0	0	(51,685)
0	51,685	0	0	0	0
0	(69,255)	0	(280)	1,569	(107,064)
0	78,889	27,973	50,698	17,945	268,539
0	9,634	27,973	50,418	19,514	161,475

Lyon County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Assessor-Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	$ 0	1,966	29,288	16,426	84,999	4,506
Other County Officials	68,655	0	0	0	0	0
Flex Spending Plan	0	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	31	28	30	1,287	67
Succeeding Year	0	153,909	138,518	151,705	7,030,383	335,897
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	1,370	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Inventories	1,343	0	337	0	0	0
Total Assets	$ 71,368	155,906	168,171	168,161	7,116,669	340,470
Liabilities						
Accounts Payable	$ 0	0	985	7,587	0	0
Due to County Funds	58,537	0	0	0	0	0
Due to Other Agency Funds	295	0	0	0	0	0
Due to Other Governments	11,070	155,906	150,957	160,574	7,116,669	340,470
Trusts Payable	1,466	0	0	0	0	0
Compensated Absences	0	0	16,229	0	0	0
Total Liabilities	$ 71,368	155,906	168,171	168,161	7,116,669	340,470

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
18,035	2,652	254,036	122,347	8,008	32,779	67,295	10,269	652,606
0	0	0	0	0	0	0	0	68,655
0	0	0	0	0	0	0	4,154	4,154
859	27	0	0	0	0	0	0	2,329
1,933,213	185,354	0	0	0	0	0	1,539	9,930,518
335,085	0	0	0	0	0	0	0	335,085
0	0	0	17,368	0	0	0	0	18,738
0	0	0	0	0	0	0	2,752	2,752
0	0	0	0	0	0	0	295	295
0	0	0	7,098	0	4,444	0	0	11,542
0	0	0	0	0	0	0	0	1,680
2,287,192	188,033	254,036	146,813	8,008	37,223	67,295	19,009	11,028,354
0	0	0	33	0	63	0	0	8,668
0	0	10,990	0	0	0	0	0	69,527
0	0	0	0	0	0	0	0	295
2,287,192	188,033	243,046	146,780	8,008	37,160	0	6,049	10,851,914
0	0	0	0	0	0	67,295	12,960	81,721
0	0	0	0	0	0	0	0	16,229
2,287,192	188,033	254,036	146,813	8,008	37,223	67,295	19,009	11,028,354

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Assessor-Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	$ 50,812	147,201	160,209	145,592
Additions:				
Property and Other County Tax (Including TIF)	0	153,966	138,573	151,759
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,506	7,655	7,195
Intergovernmental Replacements, Grants and Revenues	0	96	86	81
Contribution from Lyon County	0	0	0	0
Transfer from Special Appraisers Fund	0	0	35,016	0
Office Fees and Collections	301,013	0	2,520	0
Elections	18,514	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	14,511	0	0	0
Interest	52	0	0	0
Total Additions	334,090	162,568	183,850	159,035
Deductions:				
Agency Remittances:				
To Other Funds	155,224	0	37,910	48,681
To Other Governments	143,284	153,863	137,978	87,785
Trusts Paid Out	15,026	0	0	0
Total Deductions	313,534	153,863	175,888	136,466
Balances End of Year	$ 71,368	155,906	168,171	168,161

Schedule 4

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating
6,721,448	337,240	2,248,968	176,931	224,338	97,797	8,008
6,683,394	336,023	2,271,577	185,340	0	0	0
0	0	0	0	0	69,965	0
369,464	19,492	124,729	9,846	0	0	0
4,153	220	3,024	63	0	35,721	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	2,731,167	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	1,077	0
7,057,011	355,735	2,399,330	195,249	2,731,167	106,763	0
0	0	0	0	115,162	5,000	0
6,661,790	352,505	2,361,106	184,147	2,586,307	52,747	0
0	0	0	0	0	0	0
6,661,790	352,505	2,361,106	184,147	2,701,469	57,747	0
7,116,669	340,470	2,287,192	188,033	254,036	146,813	8,008

Schedule 4 (Continued)

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2009

	Emergency Management	Advance Tax Collections	Other	Total
Assets and Liabilities				
Balances Beginning of Year	37,792	73,414	8,556	10,438,306
Additions:				
Property and Other County Tax (Including TIF)	0	0	1,537	9,922,169
E911 Surcharge	0	0	0	69,965
State Tax Credits	0	0	100	546,987
Intergovernmental Replacements, Grants and Revenues	14,309	0	1	57,754
Contribution from Lyon County	35,500	0	0	35,500
Transfer from Special Appraisers Fund	0	0	0	35,016
Office Fees and Collections	0	0	0	303,533
Elections	0	0	0	18,514
Electronic Transaction Fee	0	0	3,382	3,382
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	2,731,167
Assessments	0	0	17,673	17,673
Trusts	0	70,817	86,514	171,842
Interest	0	0	3	1,132
Total Additions	49,809	70,817	109,210	13,914,634
Deductions:				
Agency Remittances:				
To Other Funds	3,082	0	0	365,059
To Other Governments	47,296	0	20,115	12,788,923
Trusts Paid Out	0	76,936	78,642	170,604
Total Deductions	50,378	76,936	98,757	13,324,586
Balances End of Year	37,223	67,295	19,009	11,028,354

See accompanying independent auditor's report.

Schedule 5

Lyon County

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
Revenues:							
Property and Other County Tax	$ 4,523,582	4,365,804	4,347,480	4,116,834	3,928,576	3,953,748	3,302,716
Tax Increment Financing	27,130	17,915	17,213	14,797	14,190	261	0
Interest and Penalty on Property Tax	19,766	19,218	22,041	19,738	17,152	15,291	17,093
Intergovernmental	5,143,744	4,731,502	4,609,589	4,335,191	4,287,056	4,808,141	3,600,775
Licenses and Permits	59,212	47,818	49,094	47,705	41,479	38,800	38,196
Charges for Service	763,311	766,261	699,946	581,167	575,013	586,045	607,605
Use of Money and Property	213,890	291,628	311,459	245,570	181,556	125,310	175,541
Miscellaneous	138,376	91,996	208,452	119,583	48,906	63,215	175,689
Total	$ 10,889,011	10,332,142	10,265,274	9,480,585	9,093,928	9,590,811	7,917,615
Expenditures:							
Operating:							
Public Safety and Legal Services	$ 2,461,084	2,234,702	2,134,146	1,967,122	1,735,753	1,683,355	1,707,894
Physical Health and Social Services	758,292	744,482	685,546	625,689	577,077	610,516	627,654
Mental Health	1,017,862	1,069,718	985,661	914,771	929,935	839,397	897,363
County Environment and Education	745,926	692,411	660,724	487,539	436,917	450,422	505,595
Roads and Transportation	3,900,660	3,174,767	3,452,833	3,393,828	3,085,781	2,645,446	2,935,233
Governmental Services to Residents	451,162	377,071	335,089	443,417	321,632	289,005	268,630
Administration	855,233	875,240	803,685	752,959	714,501	692,475	765,681
Non-Program Current	27,130	17,915	17,213	14,797	16,190	627,685	86,576

Debt Service	252,685	280,383	286,239	287,438	279,527	275,772	276,372
Capital Projects	816,779	97,793	451,859	845,786	636,410	432,796	891,803
Total	$ 11,286,813	9,564,482	9,812,995	9,733,346	8,733,723	8,546,869	8,962,801

See accompanying independent auditor's report.

Lyon County

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*

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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 Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon 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 June 18, 2010. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-A, D, F, H, J, K and L are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon 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 the accompanying Schedule of Findings.

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

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

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 18, 2010

Lyon County

Schedule of Findings

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

09-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine 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 a lack of segregation of duties over financial transactions, record-keeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.

b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash.

c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.

d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.

e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.

f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated. The billing rates should be verified by independent individuals.

h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.

i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.

j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

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

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

09-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will have each applicable office work on creating a written accounting procedures manual for their accounting system.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

09-C Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.

Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.

Response – We will review our prevention controls and take any necessary steps that are deemed needed at each location.

Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.

09-D Capital Assets – Capital assets are not being marked for identification purposes.

Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We will stress the need for security over capital assets until we can get your recommendation implemented.

Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.

09-E Off-Site Storage of Computer Data – All offices should have as a standard policy or procedure the off-site storage of computer backup data.

Recommendation – Computer backups need to be done for all important computer data on a regular basis and this backed up data should be stored at an off-site location.

Response – We will stress that each office evaluate and implement this recommendation.

Conclusion – Response accepted. Please do have each office implement this recommendation.

09-F Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.

Response – We will have each office work on rotating duties and cross-training.

Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.

09-G Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis.

Recommendation – Per the County's employee handbook, when using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will have the appropriate departments address this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

09-H Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- Requiring the password to use multiple characters on the keyboard.

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will address these computer related issues with the individual offices and our software providers.

Conclusion – Response accepted. Please attempt to implement these recommendations.

09-I Payroll Issues – The County does not have any formal written employee performance evaluation process.

One employee was allowed without formal Board approval to carryover 16 hours of floating holiday time despite the employee handbook indicating this is not to be done.

Two employees were allowed without formal Board approval to carryover vacation time in excess of the amount of hours allowable per the union agreement.

An employee was allowed to take a day off with full pay for a personal purpose without having to use a vacation day. Per the employee handbook, the employee should have had to use a vacation day.

An employee who performed inspection work for the trail project at Lake Pahoja as an independent contractor is essence double billed the county for 4 hours. The employee put down the same 4 hours on their timesheet as on their independent contractor invoice.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

Floating holidays and vacation time should only be allowed to be carried over in accordance with the employee handbook or union agreement unless formal approval is given by the controlling Board. This approval should be documented in the controlling Board's minutes.

Payroll procedures need to be established that ensure compensated absences time is properly removed from an employee's records and that employees are only being paid for the time work is performed as an employee.

Please discuss these issues with the County Attorney and take the appropriate actions recommended by the County Attorney.

Response – The Board of Supervisors will consider the written employee evaluation issue. The Board of Supervisors will address the excess carryover time with department heads. The County will evaluate payroll procedures and consult the County Attorney in regards to the extra vacation day and the double billing of 4 hours.

Conclusion – Response accepted.

09-J Inventory Records – Inventory records did not always reconcile to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted.

09-K Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County' financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

09-L Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted. Please do address our recommendation.

Lyon County
Schedule of Findings
Year Ended June 30, 2009

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting:

09-1 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amount budgeted in any of the functions or the amount appropriated in any of the departments.

09-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

The County paid $126 for ambulance personnel to host a Christmas party, $234 for retirement gifts for two employees, $348 for shirts for economic development marketing purposes, there appears to be personal usage of cell phones (verbal and texting) for which the County isn't being reimbursed, the County paid $150 for a registration to a conference for a non-County employee that the County never was reimbursed for, the only support for some credit card charges was a copy of the credit card slip (there was no additional supporting documentation/invoice) and there were many meal expense reimbursements to employees that did not have the proper support retained.

Please also see "Findings Related to the Financial Statements: 09-G and 09-I" for possible related comments.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors needs to enforce the County's written policies and should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All disbursements, including credit card charges/employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

09-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see "Other Findings Related to Required Statutory Reporting: 09-2" for a possible related comment.

09-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit's Husband is a Shareholder, Auditor's Office Clerk	Custodial services	$ 12,532
Todd Reinke, Owner of Todd's True Value, Conservation Board Member	Supplies	1,620
Rock Rapids Cashway Lumber Inc., Leigh Stewart's Husband is a Shareholder, Jailer	Supplies	691
Scotty's Paint & Body, Sandy Wissink's Husband is the Owner, Dispatcher	Vehicle repairs and towing	415
Dr. Chet De Jong, Husband of Melinda De Jong, School Nurse	Medical examiner	532
Gary Vogel, Road Superintendent	Lake Pahoja project inspection	3,110
Jay Vogel, Road Maintenance	Lake Pahoja project inspection	1,756

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Rock Rapids Cashway Lumber Inc., Scotty's Paint & Body and Dr. Chet De Jong do not appear to represent conflicts of interest since the total transactions with each were less than $1,500 during the fiscal year. The transactions with Deep Clean Inc. do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

The transactions with Todd's True Value, Gary Vogel and Jay Vogel appear to represent a conflict of interest since total transactions were more than $1,500 during the fiscal year and were not entered into through competitive bidding. Also, the transactions with Gary Vogel and Jay Vogel appear to be in competition for services provided by the County and appear to have been performed utilizing some County equipment.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials and employees. The Board of Supervisors should address the personal competition and personal use of County equipment. The County should consult with the County Attorney to determine the disposition of these matters.

Response – We will discuss these compliance issues with the County Attorney and implement appropriate procedures.

Conclusion – Response accepted.

09-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

09-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not. However, changes made to the employee handbook in regards to the vacation and sick leave policies and an increase in jailstay fee charges were not formally approved in the Board minutes. Also, we noted there were instances where items were discussed/approved that weren't readily apparent based on the tentative agenda.

Recommendation – The County needs to make sure all employee handbook policy changes and changes in the jailstay fee charges are formally approved in the Board minutes. Also, the County should consult with the County Attorney to ensure proper public notice is being provided in accordance with Chapter 21.4 of the Code of Iowa.

Response – We will make sure employee handbook and jailstay fee charges are formally approved in the Board minutes before the change goes into effect in the future. We will discuss the tentative agenda issue with the County Attorney.

Conclusion – Response accepted.

09-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

09-8 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).

09-9 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.

The County Extension needs to review the "Findings Related to the Financial Statements" for reportable conditions that relate to the Extension or could improve the Extension's internal control also.

The Extension paid $128 for Extension personnel, Council members and guests to have a Christmas Party.

The Extension paid an employee $100 to attend some of the Extension Council meetings and did not include the payment as taxable for payroll tax/W-2 purposes.

The Extension's June 30, 2009 carryover balance report contained errors. The corrected report resulted in an excess carryover balance of $17, 048.

Recommendations – The Extension Council should determine and document the public purpose served by having a Christmas party before authorizing any further payments. If this practice is continued, the Extension should establish written policies and procedures, including requirements for proper documentation.

Payments to an employee to attend Council meetings are taxable. These payments should be included as part of the Extension's normal payroll process and be subjected to payroll taxes and included on the employee's W-2.

The Extension's June 30, 2009 carryover balance report should be refiled with the corrected amounts. The Extension should pay the $17,048 in excess carryover balance to the County's General Fund.

Response – We will implement your recommendations.

Conclusion – Response accepted.

09-10 County Assessor – Special Appraisers Fund – The County Assessor – Special Appraisers Fund transferred $35,000 during the fiscal year to the County Assessor - Assessment Expense Fund. The amount transferred appears to have been levied in order to supplement the Assessment Expense Fund.

Recommendation – Transfers made from the County Assessor – Special Appraisers Fund to the County Assessor – Assessment Expense Fund should be limited to amounts that are for reimbursing the Assessment Expense Fund for disbursements made for special appraisal purposes as defined in Chapter 441.50 of the Code of Iowa and an Attorney General's letter of advice dated January 4, 2006. The County Assessor should consult with the County Attorney to determine the disposition of this.

Response – We will discuss this with the County Attorney and evaluate what our options are.

Conclusions – Response accepted.

09-11 Internal Revenue Service Reporting Compliance – The County is currently not reporting on employees' W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles and cell phones in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of these fringe benefits for each employee and include this taxable value on the employee's W-2 income.

Response – We will evaluate this compliance issue.

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

09-12 Public Hearing – The County did not conduct a public hearing on the construction of the ambulance garage building. The cost of the ambulance garage building exceeded the threshold for when a public hearing is required.

Recommendation – The County should not enter into a contract for a public improvement with estimated an total cost in excess of the competitive bid threshold in Chapter 26.3 or as established in Chapter 314.1B of the Code of Iowa until the County has held a public hearing as required by Chapter 26.12 of the Code of Iowa.

Response – We will make sure to conduct a public hearing when required in the future.

Conclusion – Response accepted.

09-13 Dispatchers/Jailers – The County is treating the individuals who perform dispatch services at the jail as jailers for overtime payment purposes due to the combination dispatch/jailer services performed.

Recommendation – The County needs to get a written opinion from the County Attorney or other legal counsel as to the County's compliance with the Fair Labor Standards Act in relation to overtime pay for individuals who perform a combination of dispatch/jailer services. The County needs to update the employee handbook to reflect the overtime pay procedures that the County is going to follow for individuals who perform a combination of dispatch/jailer services.

Response – We will discuss this issue with the County Attorney and update our employee handbook.

Conclusion – Response accepted. Please implement the legal counsel's opinion in regards to the issue.

09-14 Short-Term Loan – The Conservation Board approved by motion the purchase agreement of some land from the Iowa National Heritage Foundation. The land was acquired by the Foundation issuing the County Conservation a short-term loan.

Recommendation – The County's Conservation Board should be approving any short-term loans by formal adoption of a resolution that states the terms of the short-term loan as required by Chapter 331.477 of the Code of Iowa.

Response – We will approve future short-term loans by resolution.

Conclusion – Response accepted.

09-15 Lyon County Economic Development Board Minutes – The Lyon County Economic Development Board minutes were not always made available to the newspaper within twenty days following a meeting or filed with the County Recorder.

Recommendation – All Board meeting minutes should be filed in accordance with House File 808. The Board meeting minutes should be filed with the Lyon County Recorder in an electronic format. The County Recorder should make the submitted minutes available to the public.

Response – We will have this Board implement your recommendation.

Conclusion – Response accepted.

09-16 Veterans Affairs and Lyon County Economic Development Board Minutes – The vote of each member is not identifiable in the Veterans Affairs and Lyon County Economic Development Board meeting minutes.

Recommendation – The vote of each member should be identifiable in accordance with Chapter 21 of the Code of Iowa.

Response – We will have these Boards implement your recommendation.

Conclusion – Response accepted.

09-17 Veterans Affairs Minutes – The Veterans Affairs minutes were not signed by any member of the Board other than the administrator.

Recommendation – The Veterans Affairs' minutes should be signed by the appropriate members (at lease one signature should be from a member who is not the administrator) to attest to the accuracy of the minutes.

Response – We will attempt to have this Board comply with your recommendation.

Conclusion – Response accepted.

09-18 Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report in the minutes that claims issued since the last meeting were approved and that the prior minutes are proper as printed.

Recommendation – The Emergency Management and E911 Board minutes should document formal approval of all paid claims and the prior meeting's minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the minutes.

Response – We will attempt to have the Boards comply with you recommendations.

Conclusion – Response accepted.

Lyon County

Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Jerry Stubbe, Assistant Auditor
Curt Robison, Assistant Auditor
Craig Hoekstra, Assistant Auditor

De Noble & Company PC
Certified Public Accountants