

SAC COUNTY

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

JUNE 30, 2009

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SAC COUNTY

OFFICIALS

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Bensley	Board of Supervisors	Jan. 2009
Rick Hecht	Board of Supervisors	Jan. 2011
Dean Stock	Board of Supervisors	Jan. 2011
James W. Dowling	County Auditor	Jan. 2009
Vicki Peyton	County Treasurer	Jan. 2011
Nancy Auen	County Recorder (appointed February 2007)	Nov. 2008
Ken McClure	County Sheriff	Jan. 2009
Earl Hardisty	County Attorney	Jan. 2011
Robert Hawks	County Assessor	Jan. 2010

(After January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Hecht	Board of Supervisors	Jan. 2011
Dean Stock	Board of Supervisors	Jan. 2011
Jack Bensley	Board of Supervisors	Jan. 2013
James W. Dowling	County Auditor	Jan. 2013
Vicki Peyton	County Treasurer	Jan. 2011
Nancy Auen	County Recorder	Jan. 2011
Ken McClure	County Sheriff	Jan. 2013
Earl Hardisty	County Attorney	Jan. 2011
Robert Hawks	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac 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 Sac 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.

As discussed in Note 13 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be recorded and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sac County at June 30, 2009, or the changes in financial position thereof for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2010, on our consideration of Sac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements, but is 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 Sac 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 each of the years in the two year period ending June 30, 2003 (none of which are presented herein), and expressed qualified opinions on those financial statements because the general fixed asset account group was omitted. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the five year period ending June 30, 2008 (none of which are presented herein), and expressed adverse opinions on those financial statements because capital assets and depreciation expense on those assets was omitted. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-33, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 2, 2010

Hungelman, Putzier & Co.

SAC COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit A

	<u>Primary</u> <u>Government</u> Governmental <u>Activities</u>	<u>Component</u> <u>Unit</u> Conservation <u>Foundation</u>
<u>ASSETS</u>		
Cash and pooled investments	\$ 3,825,448	\$ 137,310
Receivables:		
Property tax:		
Delinquent	3,225	-
Succeeding year	4,144,255	-
Interest and penalty on property tax	16,051	-
Accounts	1,158,619	-
Accrued interest	9,360	-
Drainage assessments	530	-
Due from other governments	168,657	-
Inventories	1,046,666	-
Prepaid	28,119	-
Total assets	<u>10,400,930</u>	<u>137,310</u>
 <u>LIABILITIES</u>		
Accounts payable	459,549	-
Accrued interest payable	54,914	-
Salaries and benefits payable	52,987	-
Deferred revenue:		
Succeeding year property tax	4,144,255	-
Long-term liabilities:		
Portion due or payable within one year:		
Note payable	39,000	-
Compensated absences	224,967	-
Portion due or payable after one year:		
Note payable	250,000	-
Drainage warrants/drainage improvement certificates payable	512,586	-
Total liabilities	<u>5,738,258</u>	<u>-</u>
 <u>NET ASSETS</u>		
Restricted for:		
Supplemental levy purposes	115,422	-
Mental health purposes	302,859	-
Secondary roads purposes	2,316,503	-
Debt service	44,760	-
Capital projects	14,237	-
Other purposes	400,856	-
Unrestricted	<u>1,468,035</u>	<u>137,310</u>
Total net assets	<u>\$ 4,662,672</u>	<u>\$ 137,310</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government Total</u>	<u>Component Unit Conservation Foundation</u>
Primary Government:						
Governmental activities:						
Public safety and legal services	\$ 1,856,788	\$ 601,939	\$ 63,432	\$ -	\$ (1,191,417)	-
Physical health and social services	558,564	188,151	214,948	-	(155,465)	-
Mental health	1,516,010	7,488	766,033	-	(742,489)	-
County environment and education	811,361	38,989	15,544	-	(756,828)	-
Roads and transportation	3,917,807	449,573	2,297,701	260,786	(909,747)	-
Governmental services to residents	332,115	194,650	-	-	(137,465)	-
Administration	1,068,670	74,489	-	-	(994,181)	-
Non-program	293,508	-	-	487,438	193,930	-
Interest on long-term debt	13,300	-	-	-	(13,300)	-
Total primary government	<u>\$ 10,368,123</u>	<u>\$ 1,555,279</u>	<u>\$ 3,357,658</u>	<u>\$ 748,224</u>	<u>(4,706,962)</u>	<u>-</u>
Component Unit:						
Conservation Foundation	<u>\$ 17,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,072</u>	<u>-</u>	<u>35,284</u>
General Revenues:						
Property and other county tax levied for:						
General purposes					3,833,414	-
Debt service					54,649	-
Penalty and interest on property tax					22,665	-
State tax credits					212,986	-
Local option sales tax					377,905	-
Grants and contributions not restricted to specific purposes					297,338	-
Unrestricted investment earnings					80,276	3,147
Miscellaneous					13,096	-
Total general revenues					<u>4,892,329</u>	<u>3,147</u>
Change in net assets					185,367	38,431
Net assets beginning of year					<u>4,477,305</u>	<u>98,879</u>
Net assets end of year					<u>\$ 4,662,672</u>	<u>\$ 137,310</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C

	Special Revenue					Total
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	
ASSETS						
Cash and pooled investments	\$ 1,830,776	\$ 421,912	\$ 55,264	\$ 932,247	\$ 385,179	\$ 3,625,378
Receivables:						
Property tax:						
Delinquent	2,474	670	15	-	66	3,225
Succeeding year	2,208,892	547,123	1,335,469	-	52,771	4,144,255
Interest and penalty on property tax	16,051	-	-	-	-	16,051
Accounts	231,675	89,406	-	575,284	262,254	1,158,619
Accrued interest	9,089	-	-	-	271	9,360
Drainage assessments	-	-	-	-	530	530
Due from other governments	168,006	-	-	-	651	168,657
Inventories	-	-	-	1,046,666	-	1,046,666
Prepaid	28,119	-	-	-	-	28,119
Total assets	<u>\$ 4,495,082</u>	<u>\$ 1,059,111</u>	<u>\$ 1,390,748</u>	<u>\$ 2,554,197</u>	<u>\$ 701,722</u>	<u>\$ 10,200,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 73,685	\$ 201,332	\$ -	\$ 138,391	\$ 21,892	\$ 435,300
Interest payable	-	-	-	-	53,973	53,973
Salaries and benefits payable	36,503	-	3,682	12,802	-	52,987
Deferred revenue:						
Succeeding year property tax	2,208,892	547,123	1,335,469	-	52,771	4,144,255
Other	18,525	670	15	-	596	19,806
Total liabilities	<u>2,337,605</u>	<u>749,125</u>	<u>1,339,166</u>	<u>151,193</u>	<u>129,232</u>	<u>4,706,321</u>
Fund balances:						
Reserved for:						
Supplemental levy purposes	115,422	-	-	-	-	115,422
Inventories	-	-	-	1,046,666	-	1,046,666
Drainage warrants	-	-	-	-	137,232	137,232
Future expenditures	-	-	-	-	65,191	65,191
Capital projects	-	-	-	-	14,237	14,237
Debt service	-	-	-	-	6,571	6,571
Unreserved, reported in:						
General fund	2,042,055	-	-	-	-	2,042,055
Special revenue funds	-	309,986	51,582	1,356,338	349,259	2,067,165
Total fund balances	<u>2,157,477</u>	<u>309,986</u>	<u>51,582</u>	<u>2,403,004</u>	<u>572,490</u>	<u>5,494,539</u>
Total liabilities and fund balances	<u>\$ 4,495,082</u>	<u>\$ 1,059,111</u>	<u>\$ 1,390,748</u>	<u>\$ 2,554,197</u>	<u>\$ 701,722</u>	<u>\$ 10,200,860</u>

See notes to financial statements.

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

Exhibit D

Total governmental fund balances	\$ 5,494,539
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	19,804
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, and drainage warrants payable are not due and payable in the current period and, therefore, are not reported in the funds.	(1,027,493)
The Internal Service Fund is used by management to charge the costs of 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.	<u>175,822</u>
Net assets of governmental activities	<u>\$ 4,662,672</u>

See notes to financial statements.

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

Exhibit E

	Special Revenue					Total
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	
Revenues:						
Property and other County tax	\$ 2,400,339	\$ 546,900	\$ 1,266,313	\$ -	\$ 54,649	\$ 4,268,201
Interest and penalty on property tax	29,695	-	-	-	-	29,695
Intergovernmental	498,282	1,090,896	65,164	2,558,487	18,598	4,231,427
Licenses and permits	4,750	-	-	20,369	-	25,119
Charges for service	897,232	174	1,450	365,378	14,052	1,278,286
Use of money and property	88,876	-	-	-	1,249	90,125
Miscellaneous	8,901	-	-	15,165	503,539	527,605
Total revenues	<u>3,928,075</u>	<u>1,637,970</u>	<u>1,332,927</u>	<u>2,959,399</u>	<u>592,087</u>	<u>10,450,458</u>
Expenditures:						
Operating:						
Public safety and legal services	1,832,588	-	-	-	26,058	1,858,646
Physical health and social services	568,608	-	-	-	-	568,608
Mental health	-	1,520,812	-	-	-	1,520,812
County environment and education	414,179	-	400,744	-	-	814,923
Roads and transportation	-	-	-	3,167,084	-	3,167,084
Governmental services to residents	329,085	-	-	-	2,370	331,455
Administration	968,830	-	-	-	-	968,830
Non-program	-	-	-	-	293,508	293,508
Debt Service	-	-	-	-	51,424	51,424
Capital projects	-	-	-	770,700	-	770,700
Total expenditures	<u>4,113,290</u>	<u>1,520,812</u>	<u>400,744</u>	<u>3,937,784</u>	<u>373,360</u>	<u>10,345,990</u>
Excess (deficiency) of revenues over expenditures	<u>(185,215)</u>	<u>117,158</u>	<u>932,183</u>	<u>(978,385)</u>	<u>218,727</u>	<u>104,468</u>
Other financing sources (uses):						
Operating transfers in (out)	(86,446)	-	(920,589)	1,007,035	-	-
Drainage district warrants	-	-	-	-	110,918	110,918
Sale of assets	610	-	-	-	-	610
Total other financing sources (uses)	<u>(85,836)</u>	<u>-</u>	<u>(920,589)</u>	<u>1,007,035</u>	<u>110,918</u>	<u>111,528</u>
Net change in fund balances	(271,051)	117,158	11,594	28,650	329,645	215,996
Fund balances, beginning of year	2,428,528	192,828	39,988	2,374,354	242,845	5,278,543
Fund balances, end of year	<u>\$ 2,157,477</u>	<u>\$ 309,986</u>	<u>\$ 51,582</u>	<u>\$ 2,403,004</u>	<u>\$ 572,490</u>	<u>\$ 5,494,539</u>

See notes to financial statements.

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

Exhibit F

Net change in fund balances - Total governmental funds \$ 215,996

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

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

Property tax	\$ (2,238)	
Other	<u>(7,134)</u>	(9,372)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year issues exceeded repayments as follows:

Issued drainage district warrants	(359,942)	
Redeemed drainage district warrants	249,024	
Payments on long-term debt	<u>38,000</u>	(72,918)

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	36,659	
Interest on long-term debt	<u>124</u>	36,783

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

14,878

Change in net assets of governmental activities

\$ 185,367

SAC COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

Exhibit G

Internal
Service-
Employee
Group
Health

Assets:

Cash and cash equivalents

\$ 200,070

Liabilities:

Accounts payable

24,248

Net assets:

Unrestricted

\$ 175,822

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Exhibit H

Internal
Service-
Employee
Group
Health

Operating revenues:		
Reimbursements from employees and others	\$ 12,305	
Reimbursements from operating funds	<u>107,516</u>	<u>\$ 119,821</u>
Operating expenses:		
Insurance premiums	83,454	
Administrative fees	<u>24,127</u>	<u>107,581</u>
Operating income		12,240
Non-operating revenues:		
Interest income		<u>2,638</u>
Net income		14,878
Net assets beginning of year		<u>160,944</u>
Net assets end of year		<u>\$ 175,822</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Exhibit I

Internal
Service-
Employee
Group
Health

Cash flows from operating activities:	
Cash received from employees and others	\$ 12,306
Cash received from operating fund reimbursements	107,516
Cash payments to suppliers for services	<u>(105,837)</u>
Net cash provided by operating activities	13,985
Cash flows from investing activities:	
Interest on investments	<u>2,638</u>
Net increase in cash and cash equivalents	16,623
Cash and cash equivalents, beginning of year	<u>183,447</u>
Cash and cash equivalents, end of year	<u>\$200,070</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 12,240
Adjustments to reconcile operating income to net cash provide by operating activities:	
Increase in accounts payable	<u>1,745</u>
Net cash provided by operating activities	<u>\$ 13,985</u>

See notes to financial statements.

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

Exhibit J

ASSETS

Cash and pooled investments:

County treasurer	\$ 598,647
Other county officials	29,159

Receivables:

Property tax:

Delinquent	17,244
Succeeding year	9,916,950

Accounts	22,636
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Assessments	23,165
-------------	--------

Total assets	<u>10,607,801</u>
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LIABILITIES

Accounts payable	1,174
------------------	-------

Salaries payable	157
------------------	-----

Due to other governments	10,606,470
--------------------------	------------

Total liabilities	<u>10,607,801</u>
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Net Assets	<u>\$ -</u>
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See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

Discretely Presented Component Unit - The Sac County Conservation Foundation is a legally separate, tax-exempt component unit of Sac County. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the County in support of conservation purposes. Although the County does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the County by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the County, the foundation is considered a component unit of the County and is discretely presented in the County's financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship, if any, with the organization and, as such, are reported in the Agency Funds of the County.

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

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

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

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

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

The County reports the following major governmental funds:

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

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.

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 and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur 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 property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

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

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

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

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid - The prepaid represents computer maintenance for next fiscal year.

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.

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 succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end.

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

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

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 debt issued is reported as other financing sources.

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 a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amounts appropriated.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$39,652 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

3. INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 86,446
	Special Revenue: Rural Services	<u>920,589</u>
Total		<u>\$ 1,007,035</u>

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

4. 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 for the succeeding year. The tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
County Assessor	Collections	\$ 296,297
Schools		6,960,584
Community Colleges		490,480
Corporations		2,056,942
Townships		200,533
Auto License and Use Tax		254,193
Agricultural Extension		157,983
All other		<u>189,458</u>
Total		<u>\$ 10,606,470</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

5. LONG-TERM LIABILITIES

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

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Total</u>
Balance, beginning of year	\$ 327,000	\$ 261,627	\$ 401,668	\$ 990,295
Increases	-	-	359,942	359,942
Decreases	<u>(38,000)</u>	<u>(36,660)</u>	<u>(249,024)</u>	<u>(323,684)</u>
Balance, end of year	<u>\$ 289,000</u>	<u>\$ 224,967</u>	<u>\$ 512,586</u>	<u>\$ 1,026,553</u>
Due within one year	<u>\$ 39,000</u>	<u>\$ 224,967</u>	<u>\$ -</u>	<u>\$ 263,967</u>

Note Payable

A summary of the County's June 30, 2009, notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.10%	\$ 39,000	\$ 11,849	\$ 50,849
2011	4.10%	40,000	10,250	50,250
2012	4.10%	40,000	8,633	48,633
2013	4.10%	41,000	6,970	47,970
2014	4.10%	42,000	5,289	47,289
2015-2016	4.10%	<u>87,000</u>	<u>5,376</u>	<u>92,376</u>
		<u>\$ 289,000</u>	<u>\$ 48,367</u>	<u>\$ 337,367</u>

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. 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, IA, 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 annual covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$224,814, \$196,749, and \$176,251, respectively, equal to the required contributions for each year.

7. RISK MANAGEMENT

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, 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 \$148,950.

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. RISK MANAGEMENT - (Continued)

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. 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 Group Services, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,000 for single coverage and \$4,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

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 and claims processed are paid to Group Services, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2009, was \$107,516.

Amounts payable from the Employee Group Health Fund at June 30, 2009, total \$24,248, which is for incurred but not recorded (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2009, the County has accumulated funds in excess of actual claims paid of \$175,822, which is reported as net assets of the Internal Service, Employee Group Health Fund.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. COMMITMENTS

The County entered into the following contracts prior to June 30, 2009, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost Incurred as of 6-30-09</u>	<u>Remaining Commitment as of 6-30-09</u>
Aerial photo system	\$ 59,250	\$ 5,121	\$ 54,129
Welco Industries-Hagge Park building	<u>449,632</u>	<u>42,500</u>	<u>407,132</u>
	<u>\$ 508,882</u>	<u>\$ 47,621</u>	<u>\$ 461,261</u>

The balances remaining at June 30, 2009, will be paid as work on the projects progresses. The aerial photo system is to be split 25% county, 25% assessor and 50% E911.

10. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2009, \$68,436 was paid for landfill fees pursuant to the agreement.

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 costs to the Agency for compliance with these requirements have been estimated at \$1,031,713 according to the Agency's latest audit report available, which was for the year ended June 30, 2008.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

11. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2008, is summarized as follows:

Net assets, beginning of year	\$ 546,905
Revenues	823,776
Expenses	<u>(833,291)</u>
Net assets, end of year	<u>\$ 537,390</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

12. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$1,740,000 is outstanding at June 30, 2009. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

13. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

14. OPERATING LEASE

The County has entered into a lease agreement for a postage machine. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2010	\$ 6,900
2011	6,900
2012	6,900
2013	<u>6,900</u>
Total minimum lease payments	<u>\$ 27,600</u>

15. DEFICIT FUND BALANCES

The Special Revenue – Sheriff's K-9 fund had a deficit balance of \$9,138 at June 30, 2009. The deficit balance was a result of payables as of June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

SAC 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

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$ 4,263,932	\$ -	\$ 4,263,932	\$ 4,189,361	\$ 4,189,361	\$ 74,571
Interest and penalty on property tax	29,695	-	29,695	32,035	32,035	(2,340)
Intergovernmental	3,917,629	-	3,917,629	3,986,068	3,996,068	(78,439)
Licenses and permits	25,069	-	25,069	13,000	13,000	12,069
Charges for service	1,205,099	-	1,205,099	877,354	877,354	327,745
Use of money and property	112,057	-	112,057	150,860	179,070	(67,013)
Miscellaneous	197,188	173,025	24,163	16,150	16,150	8,013
Total receipts	<u>9,750,669</u>	<u>173,025</u>	<u>9,577,644</u>	<u>9,264,828</u>	<u>9,303,038</u>	<u>274,606</u>
Disbursements:						
Public safety and legal services	1,905,819	-	1,905,819	1,845,810	1,981,867	76,048
Physical health and social services	565,832	-	565,832	570,042	588,842	23,010
Mental health	1,495,572	-	1,495,572	1,435,239	1,435,239	(60,333)
County environment and education	710,570	-	710,570	790,798	800,823	90,253
Roads and transportation	3,472,303	-	3,472,303	3,726,700	3,726,700	254,397
Governmental services to residents	335,416	-	335,416	340,786	349,202	13,786
Administration	963,301	-	963,301	1,069,763	1,098,077	134,776
Debt service	51,424	-	51,424	55,000	55,000	3,576
Capital projects	1,157,227	386,527	770,700	886,000	886,000	115,300
Total disbursements	<u>10,657,464</u>	<u>386,527</u>	<u>10,270,937</u>	<u>10,720,138</u>	<u>10,921,750</u>	<u>650,813</u>
Excess (deficiency) of receipts over disbursements	(906,795)	(213,502)	(693,293)	(1,455,310)	(1,618,712)	925,419
Other financing sources	186,108	185,498	610	-	-	610
Excess (deficiency) of receipts and other financing sources over disbursements	(720,687)	(28,004)	(692,683)	(1,455,310)	(1,618,712)	926,029
Balance beginning of year	4,346,065	32,443	4,313,622	3,124,971	3,124,971	1,188,651
Balance end of year	<u>\$ 3,625,378</u>	<u>\$ 4,439</u>	<u>\$ 3,620,939</u>	<u>\$ 1,669,661</u>	<u>\$ 1,506,259</u>	<u>\$ 2,114,680</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 9,750,669	\$ 699,789	\$10,450,458
Expenditures	<u>10,657,464</u>	<u>(311,474)</u>	<u>10,345,990</u>
Net	(906,795)	1,011,263	104,468
Other financing sources, net	186,108	(74,580)	111,528
Beginning fund balances	<u>4,346,065</u>	<u>932,478</u>	<u>5,278,543</u>
Ending fund balances	<u>\$ 3,625,378</u>	<u>\$ 1,869,161</u>	<u>\$ 5,494,539</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$201,612. 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 E911 Service Board; and for Disaster Services by the Sac County Emergency Management Commission.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amount appropriated.

SUPPLEMENTARY INFORMATION

SAC COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Schedule 1

Special Revenue

	County Recorder's Record Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Capital Projects	Debt Service	Total	
ASSETS													
Cash and pooled investments	\$ 2,918	\$ 19,781	\$ 4,439	\$ 4,771	\$ 2,426	\$ (21)	\$ 7,192	\$ 470	\$ 137,978	\$ 184,417	\$ 14,237	\$ 6,571	\$ 385,179
Receivables:													
Property tax:													
Delinquent	-	-	-	-	-	-	-	-	-	-	66	66	
Succeeding year	-	-	-	-	-	-	-	-	-	-	52,771	52,771	
Accounts	-	-	262,254	-	-	-	-	-	-	-	-	262,254	
Accrued interest	4	9	-	-	-	-	-	258	-	-	-	271	
Drainage assessments	-	-	530	-	-	-	-	-	-	-	-	530	
Due from other governments	-	651	-	-	-	-	-	-	-	-	-	651	
Total assets	\$ 2,922	\$ 20,441	\$ 267,223	\$ 4,771	\$ 2,426	\$ (21)	\$ 7,192	\$ 470	\$ 138,236	\$ 184,417	\$ 14,237	\$ 59,408	\$ 701,722
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 2,263	\$ -	\$ 10,297	\$ -	\$ -	\$ 9,117	\$ 215	\$ -	\$ -	\$ -	\$ -	\$ 21,892	
Interest payable	-	-	53,973	-	-	-	-	-	-	-	-	53,973	
Deferred revenue:													
Succeeding year	-	-	-	-	-	-	-	-	-	-	52,771	52,771	
Other	-	-	530	-	-	-	-	-	-	-	66	596	
Total liabilities	2,263	-	64,800	-	-	9,117	215	-	-	-	52,837	129,232	
Fund balances:													
Reserved for:													
Drainage warrants	-	-	137,232	-	-	-	-	-	-	-	-	137,232	
Future expenditures	-	-	65,191	-	-	-	-	-	-	-	-	65,191	
Capital Projects	-	-	-	-	-	-	-	-	-	14,237	-	14,237	
Debt service	-	-	-	-	-	-	-	-	-	-	6,571	6,571	
Unreserved	659	20,441	-	4,771	2,426	(9,138)	6,977	470	138,236	184,417	-	349,259	
Total fund balances	659	20,441	202,423	4,771	2,426	(9,138)	6,977	470	138,236	184,417	14,237	572,490	
Total liabilities and fund balances	\$ 2,922	\$ 20,441	\$ 267,223	\$ 4,771	\$ 2,426	\$ (21)	\$ 7,192	\$ 470	\$ 138,236	\$ 184,417	\$ 14,237	\$ 59,408	\$ 701,722

See accompanying independent auditor's report.

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

Schedule 2

Special Revenue

	County Recorder's Sheriff	County Recorder's Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Capital Projects	Debt Service	Total
Revenues:													
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,649	\$ 54,649
Intergovernmental	-	-	-	-	-	-	-	-	15,544	-	-	3,054	18,598
Charges for services	-	2,466	-	4,802	358	140	6,236	-	-	50	-	-	14,052
Use of money and property	18	105	-	-	49	7	76	-	994	-	-	-	1,249
Miscellaneous	-	-	487,438	-	-	-	-	-	-	16,101	-	-	503,539
Total revenues	18	2,571	487,438	4,802	407	147	6,312	-	16,538	16,151	-	57,703	592,087
Expenditures:													
Operating:													
Public safety and legal services	4,236	-	-	3,556	2,090	10,226	3,906	-	2,044	-	-	-	26,058
Governmental services to residents	-	2,370	-	-	-	-	-	-	-	-	-	-	2,370
Non-program	-	-	293,508	-	-	-	-	-	-	-	-	-	293,508
Debt service	-	-	-	-	-	-	-	-	-	-	-	51,424	51,424
Total expenditures	4,236	2,370	293,508	3,556	2,090	10,226	3,906	-	2,044	-	-	51,424	373,360
Excess (deficiency) of revenues over expenditures	(4,218)	201	193,930	1,246	(1,683)	(10,079)	2,406	-	14,494	16,151	-	6,279	218,727
Other financing sources:													
Drainage district warrants	-	-	110,918	-	-	-	-	-	-	-	-	-	110,918
Excess (deficiency) of revenues and other financing sources over expenditures	(4,218)	201	304,848	1,246	(1,683)	(10,079)	2,406	-	14,494	16,151	-	6,279	329,645
Fund balances beginning of year	4,877	20,240	(102,425)	3,525	4,109	941	4,571	470	123,742	168,266	14,237	292	242,845
Fund balances end of year	\$ 659	\$ 20,441	\$ 202,423	\$ 4,771	\$ 2,426	\$ (9,138)	\$ 6,977	\$ 470	\$ 138,236	\$ 184,417	\$ 14,237	\$ 6,571	\$ 572,490

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2009

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 2,201	\$ 89,842	\$ 92,714	\$ 7,604	\$ 35,500	\$ 2,801	\$ 254,193	\$ 113,792	\$ 598,647
Other County officials	29,159	-	-	-	-	-	-	-	-	29,159
Receivables:										
Property tax:										
Delinquent	-	178	218	7,979	617	8,247	3	-	2	17,244
Succeeding year	-	155,604	206,716	6,859,891	482,259	2,013,195	197,729	-	1,556	9,916,950
Accounts	-	-	-	-	-	-	-	-	22,636	22,636
Special assessments	-	-	-	-	-	-	-	-	23,165	23,165
Total assets	<u>\$ 29,159</u>	<u>\$ 157,983</u>	<u>\$ 296,776</u>	<u>\$ 6,960,584</u>	<u>\$ 490,480</u>	<u>\$ 2,056,942</u>	<u>\$ 200,533</u>	<u>\$ 254,193</u>	<u>\$ 161,151</u>	<u>\$ 10,607,801</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 852	\$ 1,174
Salary payable	-	-	157	-	-	-	-	-	-	157
Due to other governments	29,159	157,983	296,297	6,960,584	490,480	2,056,942	200,533	254,193	160,299	10,606,470
Total liabilities	<u>\$ 29,159</u>	<u>\$ 157,983</u>	<u>\$ 296,776</u>	<u>\$ 6,960,584</u>	<u>\$ 490,480</u>	<u>\$ 2,056,942</u>	<u>\$ 200,533</u>	<u>\$ 254,193</u>	<u>\$ 161,151</u>	<u>\$ 10,607,801</u>

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 YEAR ENDED JUNE 30, 2009

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
Balances beginning of year	\$ 40,052	\$ 148,165	\$ 355,569	\$6,133,957	\$ 508,186	\$ 1,971,704	\$ 199,432	\$ 234,488	\$ 205,398	\$ 9,796,951
Additions:										
Property and other County tax	-	155,454	112,805	6,854,926	482,472	2,012,101	197,486	-	1,555	9,816,799
E911 surcharge	-	-	-	-	-	-	-	-	95,738	95,738
State tax credits	-	8,213	10,017	342,446	28,372	135,566	10,020	-	96	534,730
Office fees and collections	222,530	-	-	-	-	-	-	-	57,580	280,110
Electronic transaction fee	-	-	-	-	-	-	-	-	2,466	2,466
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,878,761	-	2,878,761
Assessments	-	-	-	-	-	-	-	-	7,895	7,895
Trusts	50,755	-	-	-	-	-	-	-	-	50,755
Miscellaneous	1,333,136	-	217	-	-	-	-	-	34,055	1,367,408
Total additions	<u>1,606,421</u>	<u>163,667</u>	<u>123,039</u>	<u>7,197,372</u>	<u>510,844</u>	<u>2,147,667</u>	<u>207,506</u>	<u>2,878,761</u>	<u>199,385</u>	<u>15,034,662</u>
Deductions:										
Agency remittances:										
To other funds	125,938	-	-	-	-	-	-	105,648	-	231,586
To other governments	1,440,689	153,849	181,832	6,370,745	528,550	2,062,429	206,405	2,753,408	243,632	13,941,539
Trusts paid out	50,687	-	-	-	-	-	-	-	-	50,687
Total deductions	<u>1,617,314</u>	<u>153,849</u>	<u>181,832</u>	<u>6,370,745</u>	<u>528,550</u>	<u>2,062,429</u>	<u>206,405</u>	<u>2,859,056</u>	<u>243,632</u>	<u>14,223,812</u>
Balances end of year	\$ 29,159	\$ 157,983	\$ 296,776	\$6,960,584	\$ 490,480	\$ 2,056,942	\$ 200,533	\$ 254,193	\$ 161,151	\$ 10,607,801

See accompanying independent auditor's report.

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

Schedule 5

	Modified Accrual Basis							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:								
Property and other County tax	\$ 4,268,201	\$ 4,200,821	\$ 4,087,214	\$ 3,614,244	\$3,747,231	\$3,879,746	\$ 3,530,628	\$2,866,537
Interest and penalty on property tax	29,695	27,535	31,820	27,760	27,163	27,543	28,374	25,398
Intergovernmental	4,231,427	3,937,003	3,923,258	4,167,709	3,877,544	3,956,167	3,818,787	3,596,884
Licenses and permits	25,119	26,815	25,948	23,325	28,003	12,075	12,911	11,105
Charges for service	1,278,286	930,077	977,521	854,221	715,709	797,098	703,444	745,073
Use of money and property	90,125	168,356	199,948	161,936	124,587	102,371	114,815	123,943
Miscellaneous	527,605	590,544	52,848	129,172	292,656	477,364	193,574	503,406
Total	<u>\$10,450,458</u>	<u>\$ 9,881,151</u>	<u>\$ 9,298,557</u>	<u>\$ 8,978,367</u>	<u>\$8,812,893</u>	<u>\$9,252,364</u>	<u>\$ 8,402,533</u>	<u>\$7,872,346</u>
Expenditures:								
Operating:								
Public safety and legal services	\$ 1,858,646	\$ 1,568,632	\$ 1,533,533	\$ 1,385,775	\$1,255,893	\$1,379,201	\$ 1,367,992	\$1,411,496
Physical health and social services	568,608	540,456	525,696	492,304	472,069	601,221	625,728	624,352
Mental health	1,520,812	1,450,466	1,366,243	1,429,582	1,473,105	1,386,637	1,274,751	1,231,458
County environment and education	814,923	730,028	674,558	664,232	579,923	519,182	566,887	570,688
Roads and transportation	3,167,084	3,169,621	3,082,219	3,070,354	2,528,859	2,988,146	2,774,141	2,494,516
Governmental services to residents	331,455	303,253	321,464	300,480	303,009	299,634	290,975	263,614
Administration	968,830	1,054,164	892,933	941,489	797,857	779,160	735,531	971,608
Non-program	293,508	366,163	503,890	150,583	151,900	70,135	123,330	404,180
Debt service	51,424	51,989	54,780	-	9,249	21,504	63,320	24,911
Capital projects	770,700	166,339	261,754	993,652	427,433	617,009	416,221	459,578
Total	<u>\$10,345,990</u>	<u>\$ 9,401,111</u>	<u>\$ 9,217,070</u>	<u>\$ 9,428,451</u>	<u>\$7,999,297</u>	<u>\$8,661,829</u>	<u>\$ 8,238,876</u>	<u>\$8,456,401</u>

See accompanying independent auditor's report.

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

Schedule 6

<u>Grantor/Program</u>	<u>CFDA</u> <u>Number</u>	<u>Agency or</u> <u>Pass-through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grant for Food			
Stamp Program			
	10.561		\$ <u>5,390</u>
U.S. Department of Transportation:			
Iowa Department of Transportation::			
Highway Planning and Construction			
	20.205	BROS-CO81-(54)-8J-81	<u>235,355</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families			
	93.558		4,984
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund			
	93.596		1,420
Foster Care - Title IV-E			
	93.658		3,005
Adoption Assistance			
	93.659		725
Medical Assistance Program			
	93.778		6,569
Social Services Block Grant - DHS			
	93.667		3,267
State Children's Insurance Program			
	93.767		41
Social Services Block Grant - CPC			
	93.667		<u>45,589</u>
			<u>65,600</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Emergency Management Performance Grants			
	97.042		16,013
FEMA			
	97.036	FEMA-1705-DR-IOWA	<u>350,862</u>
			366,875
			<u>\$ 673,220</u>

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

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
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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 Sac County:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac 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 February 2, 2010. The report on the governmental activities was adverse because capital assets and the related depreciation expense have not been recorded. Except as discussed in the preceding sentence, 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 Sac 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 Sac County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sac 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 the 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 Sac County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control described in Part I of 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 Sac 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 II-A-09, II-B-09, II-C-09, and II-D-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sac 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 instances of noncompliance or other matters that are described in Part III of 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.

Sac 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 Sac 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 Sac County and other parties to whom Sac County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 2, 2010

Hungelman, Putzier & Co.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Officials of Sac County:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Sac County's responses to the 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 Sac 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 for Sac County and other parties to whom Sac County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 2, 2010

Hunglman, Pitzler & Co.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

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

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.
2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Applicable Offices
Auditor, Treasurer,
Recorder, Sheriff

Treasurer, Sheriff,
Recorder

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

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

SIGNIFICANT DEFICIENCIES: (Continued)

3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.
- Auditor, Treasurer,
Recorder, Sheriff

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

Response - The Board of Supervisors and the department heads continually strive to segregate the duties of the offices as limited staff will allow.

Conclusion - Response accepted.

II-B-09 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that a statement of capital assets be disclosed in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response - Limited funds and staff continue to slow the process of implementing an inventory of fixed assets.

Conclusion - Response accepted.

II-C-09 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - Officers and staff take advantage of on-line information services and conferences sponsored by the Iowa State Association of Counties to obtain additional and updated information to help in preparing reliable GAAP financial statements.

Conclusion - Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

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

SIGNIFICANT DEFICIENCIES: (Continued)

II-D-09 Duplicate Payment – There was a payment to a vendor for work done in a drainage district which was paid twice. The total overpayment was \$22,421.

Recommendation – The vendor should be contacted in order to correct this overpayment, and controls should be implemented to prevent this from occurring in the future.

Response – The vendor who received the double payment has reimbursed the drainage district for the total overpayment.

Conclusion – Response accepted.

II-E-09 Disbursements Documentation – There were several credit card charges in the Ambulance Department which were not supported by proper documentation.

Recommendation – All charges should be supported by original documentation which clearly indicates the date and purpose of the disbursement.

Response – All county employees using county credit cards will be directed to submit supporting documentation for date and purpose of each disbursement.

Conclusion – Response accepted.

II-F-09 Vacation Hours – Several employees have accrued vacation hours in excess of the amount allowed.

Recommendation – The County should either pay the employees for their excess hours or allow the employees to use these hours.

Response – The Board and the department heads will review the accrued vacation hours and determine an appropriate resolution for the excess hours.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the Mental Health function. Disbursements in certain departments exceeded appropriations prior to the budget amendments.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – All budgets will be reviewed periodically to facilitate any amendments.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

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

- III-B-09 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-09 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-09 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Erritt, Sheriff deputy, Spouse	Cleaning	\$2,700
Nancy Auen, Recorder, Brother owns Phillips Mfg.	Parts and Repairs	\$11,476
Nancy Auen, Recorder, Husband, owns Auen Construction	Repairs	\$5,229

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year.

Recommendation – We recommend the Board determine whether these services were awarded through competitive bidding or have the attorney review the transactions to determine if they are proper.

Response – We will review all future transactions closely and require bids if the transactions for the fiscal year will exceed \$1,500.

Conclusion – Response accepted.

- III-E-09 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-F-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- III-H-09 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

III-I-09 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2008, for the County Extension Office did not exceed the amount budgeted.

III-J-09 Excess Fund Balance - The Capital Projects fund was established several years ago in connection with the construction of the communication center. That project was completed in the prior year and there has been no activity in that fund during the fiscal year ended June 30, 2009.

Recommendation - The balance in the Capital Projects fund should be transferred to the Debt Service fund since there is still debt associated with the communication center project.

Response - The remaining balance in the Capital Projects fund will be transferred to the Debt Service fund.

Conclusion - Response accepted.