

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

JUNE 30, 2009

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10
Governmental Fund Financial Statements:	
C Balance Sheet	12-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	18-19
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	20
Proprietary Fund Financial Statements:	
G Statement of Net Assets	21
H Statement of Revenues, Expenses, and Changes in Net Assets	22
I Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	24
Notes to Financial Statements	25-42
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	44
Budget to GAAP Reconciliation	45
Notes to Required Supplementary Information – Budgetary Reporting	46
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	48-50
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	52-54
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	56-59
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	60-63
5 Schedule of Changes in Fiduciary Assets and Liabilities – Law Enforcement Commission Fund	64
6 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	65
7 Schedule of Expenditures of Federal Awards	66-67
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	68-69

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	70-71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72-78

UNION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
Tom McCann	Board of Supervisors	Jan. 2011
Michael J. King	Board of Supervisors	Jan. 2011
Ron Riley	Board of Supervisors	Jan. 2011
Robert G. Brown	Board of Supervisors	Jan. 2009
Donald W. Irelan	Board of Supervisors	Jan. 2009
Sandy Hysell	County Auditor	Jan. 2009
Kelly Busch	County Treasurer	Jan. 2011
Paula White	County Recorder	Jan. 2011
Rick L. Piel	County Sheriff	Jan. 2009
Timothy R. Kenyon	County Attorney	Jan. 2011
Steven Gene Haner	County Assessor	Jan. 2010
(After January 2009)		
Robert G. Brown	Board of Supervisors	Jan. 2013
Robert Jansen	Board of Supervisors	Jan. 2013
Tom McCann	Board of Supervisors	Jan. 2011
Michael J. King	Board of Supervisors	Jan. 2011
Ron Riley	Board of Supervisors	Jan. 2011
Sandy Hysell	County Auditor	Jan. 2013
Kelly Busch	County Treasurer	Jan. 2011
Paula White	County Recorder	Jan. 2011
Rick L. Piel	County Sheriff	Jan. 2013
Timothy R. Kenyon	County Attorney	Jan. 2011
Steven Gene Haner	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Union County:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union 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 March 26, 2010 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary Comparison Information on pages 44 through 46 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.

The County has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 26, 2010

Basic Financial Statements

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,979,935
Receivables:	
Property tax:	
Delinquent	16,698
Succeeding year	4,945,000
Interest and penalty on property tax	44,932
Accounts	17,319
Accrued interest	1,664
Due from other governments	859,574
Inventories	227,582
Solid waste disposal revenue bonds receivable (note 4)	1,400,000
Capital assets, net of accumulated depreciation (note 5)	<u>8,109,200</u>
 Total assets	 <u>19,601,904</u>
Liabilities	
Accounts payable	277,831
Salaries and benefits payable	128,545
Due to other governments (note 6)	800,887
Accrued interest payable	14,751
Incurred but not reported claims (note 10)	100,000
Deferred revenue:	
Succeeding year property tax	4,945,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreement	28,949
General obligation bonds	385,000
General obligation County purpose notes	255,000
General obligation solid waste disposal notes	55,000
Rural development loan	3,425
Compensated absences	112,328
Portion due or payable after one year:	
General obligation bonds	2,898,228
General obligation County purpose notes	610,000
General obligation solid waste disposal notes	1,345,000
Rural development loan	<u>6,875</u>
 Total liabilities	 <u>11,966,819</u>

UNION COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 4,520,672
Restricted for:	
Supplemental levy purposes	174,979
Rural services	303,060
Secondary roads	2,198,187
Debt service	42,533
Capital projects	40,903
Other special revenue purposes	543,120
Unrestricted	<u>(188,369)</u>
Total net assets	<u>\$ 7,635,085</u>

See notes to financial statements.

UNION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Public safety and legal services	\$ 1,253,424	\$ 106,077	\$ 4,000	\$ (1,143,347)
Physical health and social services	477,970	31,428	229,543	(216,999)
Mental health	1,753,031	15,299	1,033,595	(704,137)
County environment and education	563,284	142,363	141,458	(279,463)
Roads and transportation	3,025,773	68,902	3,558,431	601,560
Government services to residents	381,525	217,951	-	(163,574)
Administration	1,319,852	30,936	-	(1,288,916)
Interest on long-term debt	227,144	-	-	(227,144)
 Total	 <u>\$ 9,002,003</u>	 <u>\$ 612,956</u>	 <u>\$ 4,967,027</u>	 <u>(3,422,020)</u>
General Revenues:				
Property and other county tax levied for:				
General purposes				3,648,808
Debt service				498,206
Tax increment financing				293,218
Penalty and interest on property tax				41,347
State tax credits				206,674
Local option sales and services tax				474,595
Unrestricted investment earnings				70,314
Miscellaneous				39,990
 Total general revenues				 <u>5,273,152</u>
 Change in net assets				 1,851,132
 Net assets beginning of year				 <u>5,783,953</u>
 Net assets end of year				 <u>\$ 7,635,085</u>

See notes to financial statements.

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UNION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

		Special Revenue		
General	Mental Health	Rural Services	Secondary Roads	
Assets				
Cash and pooled investments	\$ 745,954	\$ 465,797	\$ 300,553	\$ 1,461,835
Receivables:				
Property tax:				
Delinquent	9,544	3,101	2,021	-
Succeeding year	2,247,000	708,000	748,000	-
Interest and penalty on property tax	44,932	-	-	-
Accounts	17,035	-	-	-
Accrued interest	1,000	-	-	-
Due from other governments	61,915	81,977	34,071	681,611
Inventories	-	-	-	227,582
Total assets	\$ <u>3,127,380</u>	\$ <u>1,258,875</u>	\$ <u>1,084,645</u>	\$ <u>2,371,028</u>

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 53,847	\$ 664,824	\$ 3,692,810
2,032	-	16,698
913,000	329,000	4,945,000
-	-	44,932
-	284	17,319
-	40	1,040
-	-	859,574
-	-	227,582
<u>\$ 968,879</u>	<u>\$ 994,148</u>	<u>\$ 9,804,955</u>

UNION COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 97,996	\$ 61,573	\$ 13,854	\$ 23,283
Salaries and benefits payable	60,903	-	11,524	56,118
Due to other governments (note 6)	16,389	784,473	-	25
Deferred revenue:				
Succeeding year property tax	2,247,000	708,000	748,000	-
Other	54,476	3,101	2,021	-
Total liabilities	2,476,764	1,557,147	775,399	79,426
Fund balances:				
Reserved for:				
Inventories	-	-	-	227,582
Supplemental levy purposes	180,696	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for inmate medical expenses	14,300	-	-	-
Undesignated, reported in:				
General fund	455,620	-	-	-
Special revenue funds	-	(298,272)	309,246	2,064,020
Capital projects fund	-	-	-	-
Total fund balances	650,616	(298,272)	309,246	2,291,602
Total liabilities and fund balances	\$ 3,127,380	\$ 1,258,875	\$ 1,084,645	\$ 2,371,028

See notes to financial statements.

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 81,125	\$ 277,831
-	-	128,545
-	-	800,887
913,000	329,000	4,945,000
2,032	-	61,630
<u>915,032</u>	<u>410,125</u>	<u>6,213,893</u>
-	-	227,582
-	-	180,696
53,847	-	53,847
-	-	14,300
-	-	455,620
-	543,120	2,618,114
-	40,903	40,903
<u>53,847</u>	<u>584,023</u>	<u>3,591,062</u>
<u>\$ 968,879</u>	<u>\$ 994,148</u>	<u>\$ 9,804,955</u>

UNION COUNTY

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

Total fund balances of governmental funds		\$ 3,591,062
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Solid waste disposal revenue bonds receivable are not current financial resources and, therefore, are not reported as assets in the governmental funds.		1,400,000
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$12,556,576 and the accumulated depreciation is \$4,447,376.		8,109,200
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		61,630
The Internal Service Fund is used by management to charge the costs of the 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.		187,749
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(14,751)
Long-term liabilities, including capital lease purchase agreements, bonds, notes and loans payable and compensated absences payable, are not due payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,699,805)</u>
Net assets of governmental activities		<u>\$ 7,635,085</u>

See notes to financial statements.

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UNION COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,295,708	\$ 715,207	\$ 879,090	\$ 237,297
Interest and penalty on property tax	52,064	-	-	-
Intergovernmental	366,718	1,070,090	122,300	3,565,492
Licenses and permits	2,272	-	17,260	1,418
Charges for service	430,400	-	284	250
Use of money and property	59,999	-	-	-
Miscellaneous	35,718	15,299	-	66,258
Total revenues	3,242,879	1,800,596	1,018,934	3,870,715
Expenditures:				
Operating:				
Public safety and legal services	1,141,064	-	79,004	-
Physical health and social services	314,074	-	115,699	-
Mental health	-	1,753,031	-	-
County environment and education	376,800	-	84,881	-
Roads and transportation	-	-	127,283	2,631,877
Government services to residents	357,599	-	-	-
Administration	815,146	-	-	-
Debt service	3,425	-	-	-
Capital projects	-	-	-	49,608
Total expenditures	3,008,108	1,753,031	406,867	2,681,485
Excess (deficiency) of revenues over (under) expenditures	234,771	47,565	612,067	1,189,230
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	578,940
Interfund transfers out (note 3)	(54,062)	-	(524,878)	-
Total other financing sources (uses)	(54,062)	-	(524,878)	578,940
Net change in fund balances	180,709	47,565	87,189	1,768,170
Fund balances beginning of year	469,907	(345,837)	222,057	523,432
Fund balances end of year	\$ <u>650,616</u>	\$ <u>(298,272)</u>	\$ <u>309,246</u>	\$ <u>2,291,602</u>

See notes to financial statements.

	Debt Service	Nonmajor Governmental Funds	Total
\$	496,801	293,218	\$ 4,917,321
	-	-	52,064
	24,236	67,315	5,216,151
	-	-	20,950
	-	2,577	433,511
	-	40,944	100,943
	-	3,019	120,294
	<u>521,037</u>	<u>407,073</u>	<u>10,861,234</u>
	-	566	1,220,634
	-	20,409	450,182
	-	-	1,753,031
	-	4,262	465,943
	-	-	2,759,160
	-	2,368	359,967
	-	-	815,146
	482,858	321,981	808,264
	-	588,784	638,392
	<u>482,858</u>	<u>938,370</u>	<u>9,270,719</u>
	38,179	(531,297)	1,590,515
	-	53,896	632,836
	-	(53,896)	(632,836)
	<u>-</u>	<u>-</u>	<u>-</u>
	38,179	(531,297)	1,590,515
	<u>15,668</u>	<u>1,115,320</u>	<u>2,000,547</u>
\$	<u><u>53,847</u></u>	<u><u>584,023</u></u>	<u><u>\$ 3,591,062</u></u>

UNION COUNTY

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

Net change in fund balances - total governmental funds \$ 1,590,515

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

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

	\$	262,898	
Expenditures for capital assets			
Depreciation expense		(535,694)	(272,796)

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

		(2,494)	
Property tax			
Other		(10,717)	(13,211)

Repayments of long-term liabilities are expenditures in the governmental
funds, but the repayments reduce long-term liabilities in the Statement of
Net Assets. 577,302

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

		6,432	
Compensated absences			
Interest on long-term debt		3,818	10,250

The Internal Service Fund is used by management to charge the costs of
the 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. (40,928)

Change in net assets of governmental activities \$ 1,851,132

See notes to financial statements.

UNION COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2009

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 287,125
Accrued interest receivable	<u>624</u>
Total assets	<u>287,749</u>
Liabilities	
Incurring but not reported claims (note 10)	<u>100,000</u>
Net Assets	
Unrestricted	<u><u>\$ 187,749</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 755,332
Reimbursements from employees and retirees	95,767
Insurance reimbursements	<u>49,263</u>
Total operating revenues	<u>900,362</u>
Operating expenses:	
Medical claims	684,902
Insurance premiums	186,725
Administrative fees	68,114
Miscellaneous	<u>6,661</u>
Total operating expenses	<u>946,402</u>
Operating loss	(46,040)
Non-operating revenues:	
Interest on investments	<u>5,112</u>
Net loss	(40,928)
Net assets beginning of year	<u>228,677</u>
Net assets end of year	<u>\$ 187,749</u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 781,832
Cash received from employees and retirees	97,624
Cash received from insurance reimbursements	75,632
Cash payments to suppliers for services	<u>(941,402)</u>
Net cash provided by operating activities	<u>13,686</u>
Cash flows from investing activities:	
Interest on investments	5,442
Purchase of investments	<u>(1,856)</u>
Net cash provided by investing activities	<u>3,586</u>
Net increase in cash and cash equivalents	17,272
Cash and cash equivalents beginning of year	<u>146,775</u>
Cash and cash equivalents end of year	<u>\$ 164,047</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (46,040)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	54,726
Increase in incurred but not reported claims	<u>5,000</u>
Net cash provided by operating activities	<u>\$ 13,686</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Cash and investments	\$ 287,125
Less items not meeting the definition of a cash equivalent:	
Certificates of deposit	<u>(123,078)</u>
Cash and cash equivalents end of year	<u>\$ 164,047</u>

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	2,072,907
Other County officials		46,224
Receivables:		
Property tax:		
Delinquent		42,732
Succeeding year		10,539,000
Accounts		6,379
Accrued interest		15,620
Due from other governments		<u>36,019</u>
 Total assets	 \$	 <u><u>12,758,881</u></u>

Liabilities

Accounts payable	\$	133,192
Salaries and benefits payable		9,788
Due to other governments (note 6)		12,521,132
Trusts payable		89,685
Compensated absences		<u>5,084</u>
 Total liabilities	 \$	 <u><u>12,758,881</u></u>

See notes to financial statements.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Union 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. Union County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Iowa Area Detention Service Agency, South Central Iowa Regional E-911 Service Board, and Union County Development Association.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) 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.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to 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, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included \$123,078 of certificates of deposit with maturity dates longer than three months.

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	10-50
Improvements other than buildings	25-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$3,302,782.

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 amount budgeted in the capital projects function at year end and in the roads and transportation function prior to the amendment of the County budget. Also, disbursements in the veteran affairs, water grid, conservation, and general services departments exceeded the amounts appropriated.

Note 2. Cash and Pooled Investments

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 2. Cash and Pooled Investments (continued)

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$704,361 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 54,062
	Special Revenue:	
	Rural Services	524,878
Capital Projects	Resource Enhancement and Protection	1,936
	Conservation Land Acquisition	<u>51,960</u>
		<u>\$ 632,836</u>

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 4. Solid Waste Disposal Revenue Bonds Receivable

During the year ended June 30, 2008, the County received \$1,500,000 of solid waste disposal revenue bonds from the Prairie Solid Waste Agency (Agency), which is reported as an Agency Fund of the County. The revenue bonds were received in exchange for the proceeds of the general obligation solid waste disposal notes issued by the County (note 7). The solid waste disposal revenues bonds receivable have the same payment schedule as the County's solid waste disposal notes payable and are payable only from the future solid waste collection fees of the Agency.

A summary of the County's solid waste disposal revenue bonds receivable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.100 %	\$ 55,000	\$ 59,154	\$ 114,154
2011	4.100	55,000	56,899	111,899
2012	4.100	60,000	54,644	114,644
2013	4.100	60,000	52,184	112,184
2014	4.100	65,000	49,724	114,724
2015	4.100	65,000	47,059	112,059
2016	4.150	70,000	44,394	114,394
2017	4.150	70,000	41,489	111,489
2018	4.150	75,000	38,584	113,584
2019	4.200	75,000	35,471	110,471
2020	4.200	80,000	32,321	112,321
2021	4.200	85,000	28,961	113,961
2022	4.300	85,000	25,391	110,391
2023	4.300	90,000	21,736	111,736
2024	4.300	95,000	17,866	112,866
2025	4.375	100,000	13,781	113,781
2026	4.375	105,000	9,406	114,406
2027	4.375	110,000	4,812	114,812
		\$ 1,400,000	\$ 633,876	\$ 2,033,876

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	\$ -	\$ -	\$ 253,619
Capital assets being depreciated:				
Buildings	1,944,787	-	-	1,944,787
Improvements other than buildings	48,202	-	-	48,202
Machinery and equipment	3,380,580	73,308	-	3,453,888
Infrastructure	6,666,490	189,590	-	6,856,080
Total capital assets being depreciated	<u>12,040,059</u>	<u>262,898</u>	<u>-</u>	<u>12,302,957</u>
Less accumulated depreciation for:				
Buildings	1,242,388	47,626	-	1,290,014
Improvements other than buildings	11,799	2,359	-	14,158
Machinery and equipment	2,071,070	237,265	-	2,308,335
Infrastructure	586,425	248,444	-	834,869
Total accumulated depreciation	<u>3,911,682</u>	<u>535,694</u>	<u>-</u>	<u>4,447,376</u>
Total capital assets being depreciated, net	<u>8,128,377</u>	<u>(272,796)</u>	<u>-</u>	<u>7,855,581</u>
Governmental activities capital assets, net	<u>\$ 8,381,996</u>	<u>\$ (272,796)</u>	<u>\$ -</u>	<u>\$ 8,109,200</u>

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$	33,197
Physical health and social services		26,614
County environment and education		26,514
Roads and transportation		409,658
Government services to residents		11,000
Administration		<u>28,711</u>

Total depreciation expense - governmental activities	\$	<u><u>535,694</u></u>
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Note 6. Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 16,389
Special Revenue:		
	Mental Health	784,473
	Secondary Roads	<u>25</u>
Total for governmental funds		<u><u>\$ 800,887</u></u>
Agency:		
County Assessor	Collections	\$ 282,846
County Hospital		1,112,592
Schools		5,647,677
Community Colleges		266,408
Corporations		3,266,367
Auto License and Use Tax		263,220
Prairie Solid Waste Agency		1,323,810
All Other		<u>358,212</u>
Total for agency funds		<u><u>\$ 12,521,132</u></u>

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital Lease Purchase Agreement	\$ 28,949	\$ -	\$ -	\$ 28,949	\$ 28,949
General Obligation Bonds * General Obligation County Purpose Notes	3,612,105	-	328,877	3,283,228	385,000
General Obligation Solid Waste Disposal Notes	1,110,000	-	245,000	865,000	255,000
Rural Development Loan	1,450,000	-	50,000	1,400,000	55,000
Compensated Absences	13,725	-	3,425	10,300	3,425
	118,760	112,328	118,760	112,328	112,328
Total	\$ 6,333,539	\$ 112,328	\$ 746,062	\$ 5,699,805	\$ 839,702

* = net of deferred amortization costs

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease a John Deere motor grader with a historical cost of \$165,000. The following is a schedule of the future minimum lease payments, including interest of 4.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2009:

Year Ending June 30,	Total
2010	\$ 30,354
Less amount representing interest	<u>(1,405)</u>
Present value of net minimum lease payments	<u>\$ 28,949</u>

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities (continued)

General Obligation Urban Renewal Refunding Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.250 %	\$ 385,000	\$ 131,374	\$ 516,374
2011	3.400	400,000	118,861	518,861
2012	3.600	415,000	105,261	520,261
2013	3.750	425,000	90,321	515,321
2014	3.875	445,000	74,384	519,384
2015	3.900	460,000	57,140	517,140
2016	4.000	480,000	39,200	519,200
2017	4.000	500,000	20,000	520,000
		<u>\$ 3,510,000</u>	<u>\$ 636,541</u>	<u>\$ 4,146,541</u>

During the year ended June 30, 2004, the County performed an advance refunding of the old general obligation capital loan notes dated 1997 and 1998. The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds, is being amortized through the year 2014 using the straight line method. Deferred amortization costs totaled \$226,772 at June 30, 2009. Amortization expense totaled \$46,123 for the current year.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities (continued)

General Obligation County Purpose Notes Payable

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

Year Ending June 30,	Issue dated May 1, 2007				Issue dated April 1, 2008			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2010	3.70 %	\$ 120,000	\$ 11,225	\$ 131,225	2.90 %	\$ 135,000	\$ 17,557	\$ 152,557
2011	3.75	60,000	6,785	66,785	3.00	140,000	13,643	153,643
2012	3.80	60,000	4,535	64,535	3.15	145,000	9,443	154,443
2013	4.00	10,000	2,255	12,255	3.25	150,000	4,875	154,875
2014	4.00	10,000	1,855	11,855	-	-	-	-
2015	4.10	10,000	1,455	11,455	-	-	-	-
2016	4.15	10,000	1,045	11,045	-	-	-	-
2017	4.20	15,000	630	15,630	-	-	-	-
		<u>\$ 295,000</u>	<u>\$ 29,785</u>	<u>\$ 324,785</u>		<u>\$ 570,000</u>	<u>\$ 45,518</u>	<u>\$ 615,518</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2010	\$ 255,000	\$ 28,782	\$ 283,782
2011	200,000	20,428	220,428
2012	205,000	13,978	218,978
2013	160,000	7,130	167,130
2014	10,000	1,855	11,855
2015	10,000	1,455	11,455
2016	10,000	1,045	11,045
2017	15,000	630	15,630
	<u>\$ 865,000</u>	<u>\$ 75,303</u>	<u>\$ 940,303</u>

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities (continued)

General Obligation Solid Waste Disposal Notes Payable

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds went to the Prairie Solid Waste Agency, reported as an Agency Fund of the County, in exchange for \$1,500,000 of solid waste disposal revenue bonds (note 4).

A summary of the County's June 30, 2009 general obligation solid waste disposal notes is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.100 %	\$ 55,000	\$ 59,154	\$ 114,154
2011	4.100	55,000	56,899	111,899
2012	4.100	60,000	54,644	114,644
2013	4.100	60,000	52,184	112,184
2014	4.100	65,000	49,724	114,724
2015	4.100	65,000	47,059	112,059
2016	4.150	70,000	44,394	114,394
2017	4.150	70,000	41,489	111,489
2018	4.150	75,000	38,584	113,584
2019	4.200	75,000	35,471	110,471
2020	4.200	80,000	32,321	112,321
2021	4.200	85,000	28,961	113,961
2022	4.300	85,000	25,391	110,391
2023	4.300	90,000	21,736	111,736
2024	4.300	95,000	17,866	112,866
2025	4.375	100,000	13,781	113,781
2026	4.375	105,000	9,406	114,406
2027	4.375	110,000	4,812	114,812
		\$ 1,400,000	\$ 633,876	\$ 2,033,876

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 7. Long-Term Liabilities (continued)

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lake Lodge operated by the Union County Conservation Board.

A summary of the County's June 30, 2009 rural development loan indebtedness is as follows:

Year Ending June 30,	Principal
2010	\$ 3,425
2011	3,425
2012	3,450
	\$ 10,300

Note 8. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$157,161, \$148,238 and \$135,203, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 10. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the 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 American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through purchase of stop loss 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 American Administrators from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2009 was \$755,332.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$100,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$187,749 at June 30, 2009 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 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. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2008	\$	95,000
Incurred claims (including claims incurred but not reported at June 30, 2009)		684,902
Claims paid		<u>679,902</u>
Unpaid claims at June 30, 2009	\$	<u><u>100,000</u></u>

Note 11. Subsequent Events

In July 2009, the County issued \$4,245,000 of general obligation taxable Build America Bonds with interest rates ranging from 2.0% to 6.4% with a 35% federal subsidy of the interest payments. The bonds are payable over fourteen years and will be used for reconstruction and improvements to County roads and bridges in an urban renewal area, repairs to the Secondary Roads building, and acquisition of a geographic information system.

In July 2009, the County also issued \$510,000 of general obligation bonds with interest rates ranging from 1.5% to 1.8%. The bonds are payable over two years and will be used to pay legal costs related to urban renewal bonds.

In October 2009, the County approved the purchase of two motorgraders for \$190,500.

UNION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

Note 11. Subsequent Events (continued)

In February 2010, the County entered into a capital lease purchase agreement for \$226,000 to purchase a new motorgrader. The agreement will be paid over five years and includes interest at 3.95%.

In February 2010, the County entered into a contract totaling \$109,560 for the construction of a County Conservation office and shop.

Required Supplementary Information

UNION COUNTY

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

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 4,906,507	\$ 4,631,191	\$ 4,631,191	\$ 275,316
Interest and penalty on property tax	52,064	24,520	24,520	27,544
Intergovernmental	4,434,796	3,257,308	3,415,008	1,019,788
Licenses and permits	20,950	23,785	23,785	(2,835)
Charges for service	435,931	397,598	398,198	37,733
Use of money and property	111,319	127,610	127,610	(16,291)
Miscellaneous	141,818	29,580	933,080	(791,262)
Total receipts	<u>10,103,385</u>	<u>8,491,592</u>	<u>9,553,392</u>	<u>549,993</u>
DISBURSEMENTS:				
Public safety and legal services	1,220,018	1,232,155	1,276,460	56,442
Physical health and social services	448,168	516,673	567,273	119,105
Mental health	1,709,074	1,459,389	1,709,389	315
County environment and education	456,660	446,032	593,732	137,072
Roads and transportation	3,312,999	2,677,622	3,615,678	302,679
Government services to residents	360,999	424,991	425,591	64,592
Administration	815,587	804,497	841,397	25,810
Debt service	808,064	808,442	808,442	378
Capital projects	644,232	276,270	278,370	(365,862)
Total disbursements	<u>9,775,801</u>	<u>8,646,071</u>	<u>10,116,332</u>	<u>340,531</u>
Excess (deficiency) of receipts over (under) disbursements	327,584	(154,479)	(562,940)	890,524
Balance beginning of year	<u>3,365,226</u>	<u>2,225,711</u>	<u>2,225,711</u>	<u>1,139,515</u>
Balance end of year	<u>\$ 3,692,810</u>	<u>\$ 2,071,232</u>	<u>\$ 1,662,771</u>	<u>\$ 2,030,039</u>

See accompanying independent auditor's report.

UNION COUNTY

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,103,385	\$ 757,849	\$ 10,861,234
Expenditures	9,775,801	(505,082)	9,270,719
Net	327,584	1,262,931	1,590,515
Beginning fund balances	3,365,226	(1,364,679)	2,000,547
Ending fund balances	<u>\$ 3,692,810</u>	<u>\$ (101,748)</u>	<u>\$ 3,591,062</u>

See accompanying independent auditor's report.

UNION COUNTY

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

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,470,261. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the capital projects function at year end and in the roads and transportation function prior to the amendment of the County budget. In addition, disbursements in the veteran affairs, water grid, conservation, and general services departments exceeded the amounts appropriated.

Other Supplementary Information

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

	Special Revenue			
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 7,857	\$ 55,575	\$ 31,531	\$ 25,285
Receivables:				
Property tax:				
Succeeding year	-	-	-	-
Accounts	-	-	270	-
Accrued interest	-	-	40	-
Total assets	<u>\$ 7,857</u>	<u>\$ 55,575</u>	<u>\$ 31,841</u>	<u>\$ 25,285</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved	<u>7,857</u>	<u>55,575</u>	<u>31,841</u>	<u>25,285</u>
Total fund balances	<u>7,857</u>	<u>55,575</u>	<u>31,841</u>	<u>25,285</u>
Total liabilities and fund balances	<u>\$ 7,857</u>	<u>\$ 55,575</u>	<u>\$ 31,841</u>	<u>\$ 25,285</u>

<u>Care Facility Trust</u>	<u>Care Facility Depreciation</u>	<u>Commissary</u>	<u>COOP Urban Renewal</u>	<u>Water Grid</u>	<u>Charitable/ Educational</u>
\$ 114,029	\$ 40,993	\$ 8,299	\$ 210,829	\$ 14,994	\$ 33,604
-	-	-	329,000	-	-
-	-	14	-	-	-
-	-	-	-	-	-
<u>\$ 114,029</u>	<u>\$ 40,993</u>	<u>\$ 8,313</u>	<u>\$ 539,829</u>	<u>\$ 14,994</u>	<u>\$ 33,604</u>
\$ -	\$ -	\$ -	200	\$ -	-
-	-	-	329,000	-	-
-	-	-	329,200	-	-
114,029	40,993	8,313	210,629	14,994	33,604
<u>114,029</u>	<u>40,993</u>	<u>8,313</u>	<u>210,629</u>	<u>14,994</u>	<u>33,604</u>
<u>\$ 114,029</u>	<u>\$ 40,993</u>	<u>\$ 8,313</u>	<u>\$ 539,829</u>	<u>\$ 14,994</u>	<u>\$ 33,604</u>

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

	<u>Capital Projects</u>	<u>Total</u>
Assets		
Cash and pooled investments	\$ 121,828	\$ 664,824
Receivables:		
Property tax:		
Succeeding year	-	329,000
Accounts	-	284
Accrued interest	-	40
	<hr/>	<hr/>
Total assets	\$ <u>121,828</u>	\$ <u>994,148</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 80,925	\$ 81,125
Deferred revenue:		
Succeeding year property tax	-	329,000
Total liabilities	<hr/>	<hr/>
	80,925	410,125
Fund balances:		
Unreserved	<hr/>	<hr/>
Total fund balances	40,903	584,023
	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>121,828</u>	\$ <u>994,148</u>

See accompanying independent auditor's report.

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UNION COUNTY

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

	Special Revenue			
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,900	15,883	-	29,954
Charges for service	-	-	2,577	-
Use of money and property	-	577	213	396
Miscellaneous	-	-	-	3,019
Total revenues	<u>6,900</u>	<u>16,460</u>	<u>2,790</u>	<u>33,369</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	4,262	-	-	-
Government services to residents	-	-	2,368	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>4,262</u>	<u>-</u>	<u>2,368</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,638	16,460	422	33,369
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	(1,936)	-	(51,960)
Total other financing sources (uses)	<u>-</u>	<u>(1,936)</u>	<u>-</u>	<u>(51,960)</u>
Net change in fund balances	2,638	14,524	422	(18,591)
Fund balances beginning of year	<u>5,219</u>	<u>41,051</u>	<u>31,419</u>	<u>43,876</u>
Fund balances end of year	<u>\$ 7,857</u>	<u>\$ 55,575</u>	<u>\$ 31,841</u>	<u>\$ 25,285</u>

<u>Care Facility Trust</u>	<u>Care Facility Depreciation</u>	<u>Commissary</u>	<u>COOP Urban Renewal</u>	<u>Water Grid</u>	<u>Charitable/Educational</u>
\$ -	\$ -	\$ -	\$ 293,218	\$ -	-
-	-	-	-	5,500	-
-	-	-	-	-	-
3,324	22,113	1,251	7,904	226	-
-	-	-	-	-	-
<u>3,324</u>	<u>22,113</u>	<u>1,251</u>	<u>301,122</u>	<u>5,726</u>	<u>-</u>
-	-	566	-	-	-
42	20,367	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	321,981	-	-
-	-	-	-	3,608	-
<u>42</u>	<u>20,367</u>	<u>566</u>	<u>321,981</u>	<u>3,608</u>	<u>-</u>
3,282	1,746	685	(20,859)	2,118	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,282	1,746	685	(20,859)	2,118	-
<u>110,747</u>	<u>39,247</u>	<u>7,628</u>	<u>231,488</u>	<u>12,876</u>	<u>33,604</u>
<u>\$ 114,029</u>	<u>\$ 40,993</u>	<u>\$ 8,313</u>	<u>\$ 210,629</u>	<u>\$ 14,994</u>	<u>\$ 33,604</u>

UNION COUNTY

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

	<u>Capital Projects</u>	<u>Total</u>
Revenues:		
Property and other County tax	\$ -	\$ 293,218
Intergovernmental	9,078	67,315
Charges for service	-	2,577
Use of money and property	4,940	40,944
Miscellaneous	-	3,019
Total revenues	<u>14,018</u>	<u>407,073</u>
Expenditures:		
Operating:		
Public safety and legal services	-	566
Physical health and social services	-	20,409
County environment and education	-	4,262
Government services to residents	-	2,368
Debt service	-	321,981
Capital projects	585,176	588,784
Total expenditures	<u>585,176</u>	<u>938,370</u>
Excess (deficiency) of revenues over (under) expenditures	(571,158)	(531,297)
Other financing sources (uses):		
Interfund transfers in	53,896	53,896
Interfund transfers out	-	(53,896)
Total other financing sources (uses)	<u>53,896</u>	<u>-</u>
Net change in fund balances	(517,262)	(531,297)
Fund balances beginning of year	<u>558,165</u>	<u>1,115,320</u>
Fund balances end of year	<u>\$ 40,903</u>	<u>\$ 584,023</u>

See accompanying independent auditor's report.

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

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,245
Other County officials	4,080	16,072	26,072	-
Receivables:				
Property tax:				
Delinquent	-	-	-	468
Succeeding year	-	-	-	111,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>4,080</u>	\$ <u>16,072</u>	\$ <u>26,072</u>	\$ <u>113,713</u>
LIABILITIES				
Accounts payable	\$ -	\$ 8,919	\$ 1	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	7,153	-	113,713
Trusts payable	4,080	-	26,071	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>4,080</u>	\$ <u>16,072</u>	\$ <u>26,072</u>	\$ <u>113,713</u>

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 80,403	\$ 22,833	\$ 109,787	\$ 5,303	\$ 3,143	\$ 48,995	\$ 2,932
-	-	-	-	-	-	-
633	4,759	22,890	1,105	500	12,372	-
211,000	1,085,000	5,515,000	260,000	151,000	3,205,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 292,036</u>	<u>\$ 1,112,592</u>	<u>\$ 5,647,677</u>	<u>\$ 266,408</u>	<u>\$ 154,643</u>	<u>\$ 3,266,367</u>	<u>\$ 2,932</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,485	-	-	-	-	-	-
282,846	1,112,592	5,647,677	266,408	154,643	3,266,367	2,932
-	-	-	-	-	-	-
3,705	-	-	-	-	-	-
<u>\$ 292,036</u>	<u>\$ 1,112,592</u>	<u>\$ 5,647,677</u>	<u>\$ 266,408</u>	<u>\$ 154,643</u>	<u>\$ 3,266,367</u>	<u>\$ 2,932</u>

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

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 481	\$ 263,220	\$ 6	\$ 1,395,226
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	5	-	-	-
Succeeding year	1,000	-	-	-
Accounts	-	-	-	6,109
Accrued interest	-	-	-	15,593
Due from other governments	-	-	-	-
Total assets	\$ 1,486	\$ 263,220	\$ 6	\$ 1,416,928
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 90,354
Salaries and benefits payable	-	-	-	2,764
Due to other governments	1,486	263,220	6	1,323,810
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	\$ 1,486	\$ 263,220	\$ 6	\$ 1,416,928

See accompanying independent auditor's report.

<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 154	\$ 78,969	\$ (538)	\$ 59,534	\$ 214	\$ 2,072,907
-	-	-	-	-	46,224
-	-	-	-	-	42,732
-	-	-	-	-	10,539,000
-	-	-	-	270	6,379
-	-	27	-	-	15,620
15,699	-	20,320	-	-	36,019
<u>\$ 15,853</u>	<u>\$ 78,969</u>	<u>\$ 19,809</u>	<u>\$ 59,534</u>	<u>\$ 484</u>	<u>\$ 12,758,881</u>
\$ 11,137	\$ 21,653	\$ 1,128	\$ -	\$ -	\$ 133,192
-	-	1,539	-	-	9,788
4,716	57,316	15,763	-	484	12,521,132
-	-	-	59,534	-	89,685
-	-	1,379	-	-	5,084
<u>\$ 15,853</u>	<u>\$ 78,969</u>	<u>\$ 19,809</u>	<u>\$ 59,534</u>	<u>\$ 484</u>	<u>\$ 12,758,881</u>

UNION COUNTY

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

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 4,080	\$ 15,547	\$ 17,655	\$ 109,133
Additions:				
Property and other County tax	-	-	-	111,845
State tax credits	-	-	-	5,506
Contract law enforcement	-	-	-	-
Emergency management contributions	-	-	-	-
Office fees and collections	-	163,056	46,228	-
Auto license, use tax, drivers license and postage	-	-	-	-
Solid waste fees	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	160	-	309,418	-
Miscellaneous	-	-	-	-
Total additions	160	163,056	355,646	117,351
Deductions:				
Agency remittances:				
To other funds	-	85,473	45,654	-
To other governments	-	77,058	574	112,771
Trusts paid out	160	-	301,001	-
Total deductions	160	162,531	347,229	112,771
Balances end of year	\$ 4,080	\$ 16,072	\$ 26,072	\$ 113,713

<u>County Assessor</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Townships</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ <u>260,107</u>	\$ <u>1,114,568</u>	\$ <u>5,432,346</u>	\$ <u>257,628</u>	\$ <u>151,028</u>	\$ <u>2,570,300</u>	\$ <u>1,456</u>
211,812	1,090,352	5,549,688	261,827	154,211	3,137,592	-
7,449	55,993	268,943	13,004	7,051	120,676	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,989	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	11,025
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>221,250</u>	<u>1,146,345</u>	<u>5,818,631</u>	<u>274,831</u>	<u>161,262</u>	<u>3,258,268</u>	<u>11,025</u>
-	-	-	-	-	-	-
189,321	1,148,321	5,603,300	266,051	157,647	2,562,201	9,549
-	-	-	-	-	-	-
<u>189,321</u>	<u>1,148,321</u>	<u>5,603,300</u>	<u>266,051</u>	<u>157,647</u>	<u>2,562,201</u>	<u>9,549</u>
\$ <u><u>292,036</u></u>	\$ <u><u>1,112,592</u></u>	\$ <u><u>5,647,677</u></u>	\$ <u><u>266,408</u></u>	\$ <u><u>154,643</u></u>	\$ <u><u>3,266,367</u></u>	\$ <u><u>2,932</u></u>

UNION COUNTY

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

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Prairie Solid Waste Agency
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 1,293	\$ 211,829	\$ 2	\$ 1,800,016
Additions:				
Property and other County tax	1,259	-	-	-
State tax credits	64	-	-	-
Contract law enforcement	-	-	-	-
Emergency management contributions	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	2,914,546	-	-
Solid waste fees	-	-	-	1,180,747
Interest	-	-	-	43,750
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	95	97,831
Total additions	1,323	2,914,546	95	1,322,328
Deductions:				
Agency remittances:				
To other funds	-	126,646	-	-
To other governments	1,130	2,736,509	91	1,705,416
Trusts paid out	-	-	-	-
Total deductions	1,130	2,863,155	91	1,705,416
Balances end of year	\$ 1,486	\$ 263,220	\$ 6	\$ 1,416,928

See accompanying independent auditor's report.

<u>Law Enforcement Commission</u>	<u>Empowerment Board</u>	<u>Emergency Management</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 7,081	\$ 94,885	\$ 11,622	\$ 41,750	\$ 10	\$ 452	\$ 12,102,788
-	-	-	-	-	-	10,518,586
-	-	-	-	-	-	478,686
100,890	-	-	-	-	-	100,890
-	-	63,892	-	-	-	63,892
-	-	-	-	-	2,579	213,852
-	-	-	-	-	-	2,914,546
-	-	-	-	-	-	1,180,747
-	2,183	171	-	-	-	46,104
-	-	-	-	-	-	11,025
-	-	-	97,600	211,898	-	619,076
3,989	260,126	27,122	-	-	-	389,163
104,879	262,309	91,185	97,600	211,898	2,579	16,536,567
-	-	-	-	-	-	257,773
96,107	278,225	82,998	-	-	2,547	15,029,816
-	-	-	79,816	211,908	-	592,885
96,107	278,225	82,998	79,816	211,908	2,547	15,880,474
\$ 15,853	\$ 78,969	\$ 19,809	\$ 59,534	\$ -	\$ 484	\$ 12,758,881

UNION COUNTY
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 LAW ENFORCEMENT COMMISSION FUND
 Year Ended June 30, 2009

Additions:

Contributions from other governmental units:

Union County	\$ 50,482	
City of Creston	50,408	\$ 100,890

Miscellaneous

3,989

104,879

Deductions:

Office supplies	2,770	
Telephone	9,796	
Computer software maintenance and upgrades	23,950	
Inmate supplies	1,994	
Contractual services	7,428	
Janitorial	4,815	
Utilities	31,249	
Sanitation	2,172	
Repairs and maintenance	8,514	
Insurance	1,546	
Equipment	1,226	
Miscellaneous	647	
	<u>96,107</u>	

Net

8,772

Balance beginning of year

7,081

Balance end of year

\$ 15,853

See accompanying independent auditor's report.

UNION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
Revenues:					
Property and other County tax	\$ 4,917,321	\$ 4,520,243	\$ 4,175,010	\$ 3,926,941	\$ 3,499,594
Interest and penalty on property tax	52,064	41,892	43,384	49,311	68,137
Intergovernmental	5,216,151	3,599,201	2,864,507	2,816,113	3,071,775
Licenses and permits	20,950	21,125	23,685	18,653	18,918
Charges for service	433,511	502,356	425,628	420,238	424,541
Use of money and property	100,943	135,541	182,316	152,784	107,413
Miscellaneous	120,294	77,319	111,702	107,292	58,245
Total	\$ 10,861,234	\$ 8,897,677	\$ 7,826,232	\$ 7,491,332	\$ 7,248,623
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,220,634	\$ 1,254,085	\$ 1,220,990	\$ 1,171,759	\$ 1,117,032
Physical health and social services	450,182	417,852	283,170	345,669	297,102
Mental health	1,753,031	1,844,765	1,640,412	1,573,478	1,389,755
County environment and education	465,943	435,937	364,017	386,967	282,238
Roads and transportation	2,759,160	3,218,057	2,740,437	2,271,050	2,397,005
Government services to residents	359,967	399,743	383,077	505,397	332,205
Administration	815,146	926,442	945,591	848,301	795,600
Debt service	808,264	644,425	519,949	518,399	516,781
Capital projects	638,392	687,139	238,820	540,593	95,516
Total	\$ 9,270,719	\$ 9,828,445	\$ 8,336,463	\$ 8,161,613	\$ 7,223,234

See accompanying independent auditor's report.

UNION COUNTY

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 09	\$ <u>10,237</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governors Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts	20.604	08-157 Task 167	<u>4,000</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1705	78,572
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1727	108,956
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1763	<u>1,696,221</u>
			<u>1,883,749</u>
Emergency Management Performance Grants	97.042	FY 09	<u>29,731</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 09	<u>9,514</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 09	<u>16</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 09	<u>2,689</u>
Foster Care - Title IV-E	93.658	FY 09	<u>5,654</u>
Adoption Assistance	93.659	FY 09	<u>1,372</u>
Children's Health Insurance Program	93.767	FY 09	<u>78</u>
Medical Assistance Program	93.778	FY 09	<u>12,450</u>
Social Services Block Grant	93.667	FY 09	<u>6,236</u>
Social Services Block Grant	93.667	FY 09	<u>62,378</u>
			<u>68,614</u>
Total			\$ <u><u>2,028,104</u></u>

UNION COUNTY

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

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

See accompanying independent auditor's report.

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

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Union 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 and II-B-09 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Union 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.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Union 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 Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa
March 26, 2010

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

To the Officials of Union County:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union 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 Union County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Union County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Union 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 Union County's internal control over compliance.

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

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

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

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

Oskaloosa, Iowa
March 26, 2010

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

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

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

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements. We also noted that some of the additional payables were not given to the County Auditor for payment until March 2010.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and included in the County’s financial statements. All claims should be given to the County Auditor for payment in a timely manner.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future. We will try to make sure all claims are turned in for payment timely.

Conclusion – Response accepted.

II-B-09 County Treasurer Bank Reconciliations – We noted that the bank reconciliations were not tied to the general ledger, and variances were not adequately resolved. We noted a \$15,568 unrecorded grant and a \$135,000 redemption of a certificate of deposit that was recorded as a receipt. After these adjustments were made, the June 30, 2009 book balance was \$11,089 lower than the bank balance due to timing differences with the Internal Service Fund.

Recommendation – Bank reconciliations should be tied to the general ledger on a monthly basis. Any variances should be investigated and timely resolved.

Response – We will reconcile the bank accounts to the general ledger and resolve any variances in a timely manner in the future.

Conclusion – Response accepted.

II-C-09 General Ledger – We noted that disbursements for the Internal Service, Employee Group Health Fund are entered into the County’s general ledger when the checks clear the bank, rather than when the checks are written. At June 30, 2009, outstanding checks of \$9,873 were not included in the general ledger. Adjustments were made to properly report these items in the financial statements.

Recommendation – All disbursements should be recorded in the general ledger when the checks are actually written.

Response – We have corrected our procedures for recording the Internal Service Fund checks for the year ending June 30, 2010.

Conclusion – Response accepted.

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

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

SIGNIFICANT DEFICIENCIES (continued):

II-D-09 Interest Revenue – We noted that the interest revenues on two certificates of deposit were recorded in incorrect funds. Adjustments were subsequently made by the County to correct this in the financial statements.

Recommendation – The County should establish procedures to make sure all revenues are recorded in the proper fund.

Response – We will make sure all revenues are properly recorded in the future.

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2009
U.S. Department of Homeland Security
Passed through the Iowa Department of Public Defense

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

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

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

Conclusion – Response accepted.

UNION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the capital projects function at year end and in the roads and transportation function prior to the amendment of the County budget. Disbursements in the veteran affairs, water grid, conservation, and general services departments exceeded the amounts appropriated. In addition, the Emergency Management budget, approved by the County Emergency Management Commission, was exceeded prior to the amendment.

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.

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

Responses –

County Auditor – We will amend the budget when required in the future and appropriations will be watched more closely by the departments.

Emergency Management Commission – We will amend the budget when required in the future.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Employee	Prescription Drug Reimbursement	\$ 768

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

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish a written policy.

Response – We will establish a policy to support these payments.

Conclusion – Response accepted.

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

UNION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.
- IV-J-09 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$298,272 at June 30, 2009 and the governmental activities had an unrestricted net assets deficit of \$188,369. In addition, the Litigation Bond Fund reported within the Capital Projects Fund had a negative fund balance of \$52,215. During the year ended June 30, 2009, the Mental Health Fund deficit improved by \$47,565 and the unrestricted net assets of the governmental activities decreased by \$58,533.

Recommendation – The County needs to investigate alternatives to return the Mental Health and Litigation Bond Funds and the governmental activities to sound financial conditions.

Response – We will work on restoring the Mental Health and Litigation Bond Funds and the governmental activities to sound financial conditions.

Conclusion – Response accepted.

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

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

IV-K-09 Payments in Lieu of Insurance Coverage – We noted an employee who is on Medicare who received monthly reimbursement payments from the County in lieu of receiving County health insurance coverage. However, the payments did not go through the County’s payroll.

Recommendation – Since Medicare is not an employer provided health insurance plan, any such payments are taxable and should run through the County’s payroll process with the appropriate taxes withheld.

Response – We will treat any future payments in lieu of health insurance as a payroll item.

Conclusion – Response accepted.

IV-L-09 Annual Financial Report – The annual cash basis report was prepared and published as required by Chapter 331.403 of the Code of Iowa. However, we noted material differences in the amounts reported.

Recommendation – The County should make sure the annual cash basis report is accurate and includes all applicable funds.

Response – We will make sure the annual cash basis report is prepared and published accurately in the future.

Conclusion – Response accepted.