

BUCHANAN COUNTY
Independence, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

BUCHANAN COUNTY
Independence, Iowa

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BUCHANAN COUNTY
Independence, Iowa

OFFICIALS

Mike Ferreter Board of Supervisors January 2011
Ellen Gaffney Board of Supervisors January 2013
Ralph Kremer Board of Supervisors January 2011

Cindy Gosse County Auditor January 2013
Judy Harland County Treasurer January 2011
Diane Curry County Recorder January 2011
Bill Wolfgram County Sheriff January 2013
Allan Vander Hart County Attorney January 2011
Brad Harms County Assessor Appointed

Independent Auditors' Report

To the Officials of Buchanan County
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buchanan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County at June 30, 2010, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of Buchanan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress of the Retiree Health Plan on pages 4 - 9 and 37 - 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on the financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by the 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.

March 25, 2011

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Buchanan County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4%, or approximately \$744,773, from fiscal 2009 to fiscal 2010. Property tax increased approximately \$255,622, charges for services decreased \$530,502, operating grants decreased by \$412,002, and capital grants and contributions increased approximately \$1,707,627.
- Program expenses were 6% or approximately \$875,608, less in fiscal 2010 than in fiscal 2009. Roads and transportation expense decreased approximately \$900,998. Public Safety and Legal Services expense decreased approximately \$250,047.
- The County's net assets increased 10% or approximately \$2,895,224, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Buchanan County as a whole and present an overall view of the County's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 and emergency management services and the County Assessor, to name a few.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Buchanan County's combined net assets were increased from a year ago, increasing from \$28.2 million to \$31.1 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2010	2009
Current and Other Assets	\$14,758	\$17,294
Capital Assets (Net of Depreciation)	29,758	24,523
Total Assets	44,516	41,817
Long-Term Debt Outstanding	4,646	4,669
Other Liabilities	8,751	8,924
Total Liabilities	13,397	13,593
Net Assets:		
Invested in Capital Assets, Net of Related Debt	25,748	23,680
Restricted	3,523	2,206
Unrestricted	1,848	2,338
Total Net Assets	\$31,119	\$28,224

Net assets of Buchanan County's governmental activities increased 10% (\$31.1 million compared to \$28.2 million). The largest portion of the County's net assets is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$2,338,234 at June 30, 2009 to \$1,847,921 at the end of this year, a substantial decrease.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2010	Year ended June 30, 2009
Revenues:		
Program Revenues:		
Charges for Service	\$1,780	\$2,310
Operating Grants, Contributions and Restricted Interest	4,949	5,361
Capital Grants, Contributions and Restricted Interest	2,981	1,274
General Revenues:		
Property Tax	6,935	6,679
Penalty and Interest on Property Tax	66	63
State Tax Credits	317	334
Local Option Sales Tax	835	853
Unrestricted Investment Earning	49	110
Other General Revenues	84	216
Total Revenues	17,996	17,200
Program Expenses:		
Public Safety and Legal Services	2,699	2,949
Physical Health and Social Services	383	303
Mental Health	2,865	2,941
County Environment and Education	1,137	1,024
Roads and Transportation	5,077	5,978
Governmental Services to Residents	488	459
Administration	2,030	1,985
Non-Program	203	199
Interest on Long-term Debt	219	138
Total Expenses	15,101	15,976
Increase in Net Assets	2,895	1,224
Net Assets Beginning of Year (restated)	28,224	27,000
Net Assets End of Year	\$31,119	\$28,224

The results of governmental activities for the year resulted in Buchanan County's net assets increasing by approximately \$2,895,224. Revenues for governmental activities increased by approximately \$794,773 from the prior year, with property tax revenue up from the prior year by approximately \$552,622.

The County increased property tax rates for 2010 by an average of 3.25%. This increase raised the County's property tax revenue by approximately \$246,028 in 2010 and is due to the rural road projects and public health.

The cost of all governmental activities this year was \$15.1 million compared to \$15.9 million last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$5,390,723 because some of the cost was paid by those directly benefiting from the programs (\$1,779,852) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,930,194). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2010 from approximately \$8.9 million to \$9.71 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6.9 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$5,589,709, a decrease of \$2,288,478 from last year's total of \$7,878,187. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased and expenditures increased when compared to the prior year. The ending fund balance showed a decrease of \$297,066 from the prior year to \$1,674,444.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,845,162. The Mental Health Fund balance at year end decreased by approximately \$142,663 from the prior year.
- The Rural Services Fund revenues and expenditures increased, slightly over the prior year. The ending fund balance showed an increase of \$104,078 from the prior year to \$364,825.
- Secondary Roads Fund expenditures decreased by approximately \$2,124,998 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$952,558.

During the year ended June 30, 2009, the County issued \$4,550,000 of general obligation bonds to help finance the construction of the County Law Enforcement Center. The proceeds from the bond issued were placed in the Capital Projects Fund set up to account for this major project. Approximately \$196,912 remained in the Capital Projects Fund at the end of the year.

BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget one time. The amendment was made in May 2010. This amendment was made for net increases in revenues and in operational expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Buchanan County had approximately \$41.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$6,506,623 or 18% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)

	June 30, 2010	June 30, 2009
Land	\$1,995	\$1,847
Buildings and Improvements	3,921	3,813
Equipment and Vehicles	7,284	6,952
Infrastructure	23,188	19,572
Construction in Process	4,733	2,430
Total	\$41,121	\$34,614
This year's major additions include		
Capital Assets Contributed by the IA Department of Transportation	\$2,888	
Law Enforcement Center Construction in Progress	2,895	
Infrastructure	206	
Secondary Road Equipment	134	
Courthouse Generator	191	
Total	\$6,314	

The County had depreciation expense of \$1,445,439 in fiscal year 2010 and total accumulated depreciation of \$11,363,261 at June 30, 2010.

The County’s fiscal year 2010 capital budget included \$5,724,119 for capital projects, principally for the upgrading of secondary roads and bridges and construction of the Law Enforcement Center. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2010 Buchanan County has approximately \$4,536,200 in general obligation notes and other debt outstanding compared to approximately \$4,669,019 at June 30, 2009, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2010	2009
General Obligation Notes	\$65	\$109
General Obligation Bonds	4,160	4,315
Drainage Warrants	51	36
Compensated Absences	260	210
Total	\$4,536	\$4,670

Debt increased as a result of debt issued for the Conservation Land Purchase.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits. Buchanan County’s outstanding general obligation debt is significantly below its constitutional debt limit of \$65 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County’s long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Buchanan County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various County services. One of those factors is the economy. Unemployment in the County now stands at 6.5% versus 6.9% a year ago. This compares with the State’s unemployment rate of 6.3% and the national rate of 9%.

These indicators were taken into account when adopting the budget for fiscal year 2011. With the increase in rural valuation, due to equalization, rollback and new construction, rural levies decreased slightly. However, tax dollars increased slightly due to rural road projects, construction of the Jail and Law Enforcement Center and the public health department returning under the county finances.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan County’s finances and to show the County’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Buchanan County Auditor’s Office, 210 – 5th Avenue NE, City of Independence, Iowa.

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET ASSETS
 June 30, 2010

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$6,805,762
Receivables:	
Property Tax:	
Delinquent	14,732
Succeeding Year	6,995,416
Interest & Penalty On Property Tax	116
Accounts	8,879
Accrued Interest	786
Drainage Assessments	432
Due From Other Governments	428,248
Inventories	437,604
Prepaid Insurance	66,047
Capital Assets (Net of Accumulated Depreciation)	29,758,063
TOTAL ASSETS	44,516,085
LIABILITIES	
Accounts Payable	1,106,943
Accrued Interest Payable	21,999
Salaries & Benefits Payable	180,483
Due To Other Governments	445,508
Deferred Revenue:	
Succeeding Year Property Tax	6,995,416
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	13,335
General Obligation Bonds	155,000
Compensated Absences	260,321
Portion Due Or Payable After One Year:	
General Obligation Notes	51,999
General Obligation Bonds	4,005,000
Drainage Warrants Payable	50,545
Net OPEB Liability	110,110
TOTAL LIABILITIES	13,396,659
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	25,747,625
Restricted For:	
Mental Health Purposes	425,154
Secondary Roads Purposes	2,124,467
Debt Service	(2,570)
Capital Projects	(8,649)
Other Purposes	985,478
Unrestricted	1,847,921
TOTAL NET ASSETS	\$31,119,426

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

	Expenses	Charges for Service	Program Revenues		Net (Expense) Revenue & Changes In Net Assets
			Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	
FUNCTIONS/PROGRAMS:					
GOVERNMENTAL ACTIVITIES:					
Public Safety and Legal Services	\$2,699,397	\$416,124	\$358,748	\$0	\$(1,924,525)
Physical Health and Social Services	383,029	6,850	234,469	0	(141,710)
Mental Health	2,865,148	595,993	801,856	0	(1,467,299)
County Environment and Education	1,136,947	40,971	44,260	85,000	(966,716)
Roads and Transportation	5,076,709	98,610	3,506,853	2,896,305	1,425,059
Governmental Services to Residents Administration	488,079	340,021	2,703	0	(145,355)
Administration	2,029,932	15,635	0	0	(2,014,297)
Non-Program	202,661	265,648	0	0	62,987
Interest on Long-Term Debt	218,867	0	0	0	(218,867)
TOTAL	\$15,100,769	\$1,779,852	\$4,948,889	\$2,981,305	(5,390,723)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					6,489,899
Debt Service					444,246
Penalty and Interest on Property Tax					66,404
State Tax Credits					316,611
Local Option Sales Tax					835,195
Unrestricted Investment Earnings					49,316
Miscellaneous					89,298
Loss on Disposal of Capital Assets					(5,022)
TOTAL GENERAL REVENUES					8,285,947
CHANGE IN NET ASSETS					2,895,224
NET ASSETS, BEGINNING OF YEAR					28,224,202
NET ASSETS END OF YEAR					\$31,119,426

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue Mental Health
ASSETS		
Cash and Pooled Investments:	\$1,761,765	\$885,751
Receivables:		
Property Tax:		
Delinquent	8,465	2,757
Succeeding Year	3,786,961	1,233,252
Interest and Penalty on Property Taxes	116	0
Accounts	1,981	604
Accrued Interest	741	0
Assessments	0	0
Due From Other Governments	53,349	36,025
Prepaid Insurance	44,681	0
Inventories	0	0
TOTAL ASSETS	\$5,658,059	\$2,158,389

LIABILITIES AND FUND BALANCES

Liabilities:		
Accounts Payable	\$100,893	\$105,964
Salaries and Benefits Payable	56,002	13,170
Accrued Interest	0	0
Due To Other Governments	31,236	380,849
Deferred Revenue:		
Succeeding Year Property Tax	3,786,961	1,233,252
Other	8,523	3,842
Total Liabilities	3,983,615	1,737,077
Fund Balances:		
Reserved For:		
Inventories	0	0
Debt Service	0	0
Unreserved, reported in:		
General	1,674,444	0
Special Revenue	0	421,312
Capital Projects	0	0
Total Fund Balances	1,674,444	421,312
TOTAL LIABILITIES & FUND BALANCES	\$5,658,059	\$2,158,389

See Notes To Financial Statements

Special Revenue Funds				
Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
\$342,500	\$2,336,405	\$205,561	\$686,222	\$6,218,204
2,743	0	0	767	14,732
1,615,804	0	0	359,399	6,995,416
0	0	0	0	116
	5,846	0	448	8,879
0	0	0	45	786
0	0	0	432	432
72,873	266,001	0	0	428,248
877	20,489	0	0	66,047
0	437,604	0	0	437,604
\$2,034,797	\$3,066,345	\$205,561	\$1,047,313	\$14,170,464
\$19,988	\$702,945	\$8,649	\$0	\$938,439
31,467	79,844	0	0	180,483
0	0	0	4,652	4,652
0	33,423	0	0	445,508
1,615,804	0	0	359,399	6,995,416
2,713	0	0	1,179	16,257
1,669,972	816,212	8,649	365,230	8,580,755
0	437,604	0	0	437,604
0	0	0	14,030	14,030
0	0	0	0	1,674,444
364,825	1,812,529	0	668,053	3,266,719
0	0	196,912	0	196,912
364,825	2,250,133	196,912	682,083	5,589,709
\$2,034,797	\$3,066,345	\$205,561	\$1,047,313	\$14,170,464

BUCHANAN COUNTY
Independence, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Governmental Fund Balances (Pages 12-13)	\$5,589,709
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$41,121,325 and the accumulated depreciation is \$11,363,262.	29,758,063
Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	16,257
The Internal Service Fund is used by management to charge the costs of 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.	419,054
Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,663,657)</u>
Net Assets of Governmental Activities (Page 10)	<u>\$31,119,426</u>

See Notes To Financial Statements.

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Special Revenue Mental Health
REVENUES:		
Property and Other County Tax	\$3,637,997	\$1,225,951
Local Option Sales Tax	0	0
Interest and Penalty on Property Tax	66,404	0
Intergovernmental	680,142	1,463,032
Licenses and Permits	525	0
Charges for Services	448,049	0
Use of Money and Property	33,095	0
Miscellaneous	47,170	13,516
Total Revenues	4,913,382	2,702,499
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	1,561,712	0
Physical Health and Social Services	346,903	0
Mental Health	0	2,845,162
County Environment and Education	528,366	0
Roads and Transportation	0	0
Governmental Services to Residents	456,531	0
Administration	1,995,945	0
Non-Program	43,209	0
Debt Service	9,335	0
Capital Projects	193,947	0
Total Expenditures	5,135,948	2,845,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,566)	(142,663)
Other Financing Sources (Uses):		
Sale of Capital Assets	500	0
Operating Transfers In	0	0
Operating Transfers Out	(75,000)	0
Drainage Warrants/Improvement Certificates Issued	0	0
Total Other Financing Sources (Uses)	(74,500)	0
Net Change in Fund Balances	(297,066)	(142,663)
Fund Balances – Beginning of Year	1,971,510	563,975
Increase in Reserve For Inventories	0	0
Fund Balances – End of Year	\$1,674,444	\$421,312

See Notes To Financial Statements

Exhibit E

Special Revenue Funds				
Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
\$1,620,200	\$0	\$0	\$444,054	\$6,928,202
835,195	0	0	0	835,195
0	0	0	0	66,404
183,836	3,514,394	277,085	45,792	6,164,281
6,850	7,251	0	0	14,626
1,651	70	0	57,146	506,916
128,813	0	40,098	927	202,933
7	106,827	0	7,870	175,390
2,776,552	3,628,542	317,183	555,789	14,893,947
702,659	0	0	11,000	2,275,371
36,259	0	0	0	383,162
0	0	0	0	2,845,162
532,833	0	0	34,171	1,095,370
0	3,970,327	0	0	3,970,327
3,246	0	0	1,061	460,838
0	0	0	0	1,995,945
0	0	0	3,005	46,214
0	0	0	464,768	474,103
0	252,873	3,283,212	4,000	3,734,032
1,274,997	4,223,200	3,283,212	518,005	17,280,524
1,501,555	(594,658)	(2,966,029)	37,784	(2,386,577)
0	3,920	0	8,000	12,420
0	1,472,477	0	0	1,472,477
(1,397,477)	0	0	0	(1,472,477)
0	0	0	14,860	14,860
(1,397,477)	1,476,397	0	22,860	27,280
104,078	881,739	(2,966,029)	60,644	(2,359,297)
260,747	1,297,575	3,162,941	621,439	7,878,187
0	70,819	0	0	70,819
\$364,825	\$2,250,133	\$196,912	\$682,083	\$5,589,709

BUCHANAN COUNTY
Independence, Iowa

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds (Pages 15-16) \$(2,359,297)

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

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

Expenditures for Capital Assets	\$3,724,293	
Capital Assets Contributed by the Iowa Department of Transportation	2,888,765	
Capital Assets Contributed by Others	85,000	
Depreciation Expense	<u>(1,445,438)</u>	5,252,620

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (17,442)

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

Property Tax	5,943	
Other	<u>(24,864)</u>	(18,921)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issued	(74,860)	
Repaid	<u>258,335</u>	183,475

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

Compensated Absences	(50,656)	
Other Postemployment Benefits	(110,110)	
Interest on Long-Term Debt	<u>901</u>	(159,865)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 70,819

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (56,165)

Change in Net Assets of Governmental Activities (Page 11) \$2,895,224

See Notes to Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$587,558
<hr/>	
LIABILITIES	
Accounts Payable	\$168,504
<hr/>	
NET ASSETS	
Unrestricted	\$419,054
<hr/>	

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,634,888
Reimbursements From Employees	89,363
Miscellaneous	44,774
Total Operating Revenues	<u>1,769,025</u>
OPERATING EXPENSES:	
Medical Claims	1,448,172
Insurance Premiums	367,031
Administrative Fees	10,631
Total Operating Expenses	<u>1,825,834</u>
Operating Loss	(56,809)
NON-OPERATING REVENUES:	
Interest on Investments	<u>644</u>
Net Loss	(56,165)
Net Assets Beginning of Year	<u>475,219</u>
Net Assets End of Year	<u><u>\$419,054</u></u>

See Notes To Financial Statements

Exhibit I

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$1,634,888
Cash Received From Employees and Others	134,137
Cash Payments To Suppliers For Services	(1,792,434)
Net Cash Used In Operating Activities	<u>(23,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>644</u>
Net Decrease in Cash and Cash Equivalents	(22,765)
Cash & Cash Equivalents at Beginning of Year	<u>610,323</u>
Cash & Cash Equivalents at End of Year	<u><u>\$587,558</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$(56,809)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:	
Increase In Accounts Payable	<u>33,400</u>
Net Cash Used in Operating Activities	<u><u>\$(23,409)</u></u>

See Notes To Financial Statements

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010**

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$1,110,044
Other County Officials	40,655
Receivables:	
Property Tax:	
Delinquent	1,260
Succeeding Year	18,709,765
Accounts	13,140
Accrued Interest	135
TOTAL ASSETS	19,874,999

LIABILITIES

Accounts Payable	60,384
Due To Other Governments	19,739,544
Trusts Payable	68,056
Compensated Absences	7,015
TOTAL LIABILITIES	19,874,999

NET ASSETS	\$0
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See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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 Buchanan County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, and Buchanan County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Notes to Financial Statements (Continued)

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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 the secondary road construction and maintenance.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

Additionally the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

The proprietary funds 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 of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2009.

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

Drainage Assessments Receivable – Drainage assessments receivable represent the amounts assessed to individuals for work done on drainage districts which benefit their property.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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 government), 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	\$50,000
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	40-65
Building Improvements	20-50
Infrastructure	10-65
Equipment	2-20
Vehicles	3-10

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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 reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or 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.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded amounts budgeted in the Non Program and Debt Service functions.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of \$4,150,025, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2010, is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General	\$75,000
	Special Revenue:	
	Rural Services	<u>1,397,477</u>
Total		<u>\$1,472,477</u>

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,846,648	\$148,250	\$0	\$1,994,898
Construction in Progress	2,430,071	5,857,541	3,554,551	4,733,061
Total Capital Assets Not Being Depreciated	<u>4,276,719</u>	<u>6,005,791</u>	<u>3,554,551</u>	<u>6,727,959</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,762,128	190,697	31,250	3,921,575
Machinery and Equipment	5,996,192	314,348	64,790	6,245,750
Vehicles	1,007,233	126,218	95,396	1,038,055
Infrastructure, Road Network	19,572,431	3,615,556	0	23,187,987
Total Capital Assets Being Depreciated	<u>30,337,984</u>	<u>4,246,819</u>	<u>191,436</u>	<u>34,393,367</u>

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Less Accumulated Depreciation for:				
Buildings and Improvements	\$2,031,943	\$72,619	\$31,250	\$2,073,312
Machinery and Equipment	3,603,831	397,456	58,572	3,942,715
Vehicles	643,679	113,985	84,172	673,492
Infrastructure, Road Network	3,812,365	861,379	0	4,673,744
Total Accumulated Depreciation	10,091,818	1,445,439	173,994	11,363,263
Total Capital Assets Being Depreciated, Net	20,246,166	2,801,380	17,442	23,030,104
Governmental Activities Capital Assets, Net	\$24,522,885	\$8,807,171	\$3,571,993	\$29,758,063

Depreciation expense was charged to the following functions:

Governmental Activities:		
Public Safety and Legal Services		\$84,928
Mental Health		7,213
County Environment and Education		49,607
Roads and Transportation		1,220,458
Governmental Services to Residents		8,935
Administration		74,298
Total Depreciation Expense – Governmental Activities		<u>\$1,445,439</u>

Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$31,236
Special Revenue:		
Mental Health	Services	380,849
Secondary Roads		33,423
Total for Governmental Funds		<u>\$445,508</u>
Agency:		
Agricultural Extension	Collections	\$184,189
Assessor & Special Appraisal		307,174
Schools		11,434,361
Community Colleges		809,876
Corporations		5,080,181
Auto License & Use Tax		438,365
All Other		1,485,398
Total for Agency Funds		<u>\$19,739,544</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010, is as follows:

	General Obligation Notes & Bonds	Conservation Note	Compensated Absences	Drainage	Total
Balance Beginning of Year	\$4,405,000	\$18,670	\$209,665	\$35,685	\$4,669,020
Increases	0	60,000	50,656	14,860	125,516
Decreases	245,000	13,336	0	0	258,336
Balance End of Year	\$4,160,000	\$65,334	\$260,321	\$50,545	\$4,536,200
Due Within One Year	\$155,000	\$13,335	\$260,321	\$0	\$428,656

Notes and Bonds Payable

During the year ended June 30, 2005, the County issued \$420,000 of General Obligation County Purpose Notes for the purpose of providing funds to pay the cost of acquiring voting and computer equipment and improving the parking lot at the Courthouse. The notes are general obligations of the County and will be paid with taxes levied on all taxable property in the County. Interest is payable semiannually commencing on December 1, 2005, principal is due annually commencing June 1, 2006. The note was paid in full on June 1, 2010.

On December 1, 2008, the County issued \$4,550,000 of General Obligation County Jail Bonds, Series 2008. The bonds were issued for the purpose of providing the funds to pay the cost of constructing, furnishing and equipping a County jail and public safety center, which was approved at a special election held on August 21, 2007. Interest ranges from 4.85% to 5.40% over the life of the issue. Interest payments are due semiannually on June 1 and December 1, from 2009 through June 1, 2027. Principal payments are due annually commencing June 1, 2009.

A summary of the County's General Obligation Bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	4.85%	\$165,000	\$208,165	\$373,165
2012	4.85%	170,000	200,163	370,163
2013	4.85%	180,000	191,917	371,917
2014	4.85%	190,000	183,188	373,188
2015	4.85%	195,000	173,972	368,972
2016-2020	4.60-4.85%	1,135,000	719,220	1,854,220
2021-2025	4.90-5.30%	1,440,000	415,158	1,855,158
2026-2027	5.35-6.40%	685,000	55,722	740,722
		\$4,160,000	\$2,147,505	\$6,307,505

The County was in compliance in this issuance of this debt.

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

During the year ended June 30, 2001, the Executive Council of Iowa approved a loan from the Contingency Fund for the Fontana Dam Restoration Project to the Buchanan County Conservation Board. The loan is free of interest and is due in 10 annual installments of \$9,335, the first payment due on December 4, 2001.

A summary of debt is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2011	<u>\$9,335</u>

Conservation Contract

In August of 2009, the Board approved a contract for the purchase of land into which the Conservation Board entered. The contract was for \$60,000 to be paid in annual installments of \$4,000 for 15 years. The contract is free of interest. A summary of the contract payments is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2011	\$4,000
2012	4,000
2013	4,000
2014	4,000
2015	4,000
2016-2020	20,000
2021-2024	<u>16,000</u>
	<u>\$56,000</u>

Note 7: Pension and Retirement Benefits

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

Most plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of annual 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, 2010, 2009, and 2008 were \$299,006, \$277,602 and \$255,520, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 8: Risk Management

Buchanan County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 634 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$139,157.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond in excess of \$1,000,000 and \$20,000 per employee, with additional \$230,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Health Insurance Plan

The County is self-insured for health insurance coverage of its employees. Claims of the employees are submitted to a third-party administrator who, in turn, bills the plan funds for the necessary amount. The plan is covered by reinsurance to protect the stop-loss of 125% of expected claims.

The County's contribution for the year ended June 30, 2010 was \$1,634,888.

Note 10: Other Postemployment Benefits (OPEB)

Buchanan County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 99 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

The table shows the components of the County's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$112,639
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>112,639</u>
Contributions made	<u>(2,529)</u>
Increase in net OPEB obligation	110,110
Net OPEB obligation – beginning of the year	<u>0</u>
Net OPEB obligation – end of the year	<u><u>\$110,110</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the County contributed \$2,529 to the medical plan. Plan members receiving benefits contributed \$16,340, or 86.59% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$112,639	2.24%	\$110,110

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date of the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,013,171, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$1,013,171. The covered payroll (annual payroll of active employees covered by the plan) was \$3,810,123, and the ratio of the UAAL to the covered payroll was 26.59%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

As of July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from a 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Commitments and Contingencies

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

Note 12: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2010.

Note 13: Budget Over-expenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2010, disbursements in the Debt Service and Non Program functions exceeded the amounts budgeted and disbursements in certain departments exceeded the amounts appropriated.

Note 14: 28E Agreement

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2010 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

Notes to Financial Statements (Continued)

Note 15: Subsequent Events

Management evaluated subsequent events through March 25, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to March 25, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

Note 16: E911 Enhancement Loan

On March 15, 2010, the County entered into an agreement to borrow \$166,000 to improve the E911 service system.

The loan was issued by the Security State Bank to provide funding for new equipment. The loan is secured by a pledge of surcharge revenues payable to the Joint E911 Service Boards. Loan principal and interest payments are made by the County from the surcharge revenues.

The loan shall not be a general obligation of the E911 Service Board or the County nor shall the County in any manner be liable by reason of the failure of the surcharge revenues or monies available in the fund, to be sufficient for the payment of the loan.

The payments will not be included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	2.8%	\$23,571	\$4,777	\$28,348
2012	2.8%	34,104	3,692	37,796
2013	2.8%	35,092	2,705	37,797
2014	2.8%	36,099	1,698	37,797
2015	2.8%	37,134	650	37,784
		<u>\$166,000</u>	<u>\$13,522</u>	<u>\$179,522</u>

BUCHANAN COUNTY
Independence, Iowa

**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, 2010**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$7,767,075	\$0	\$7,767,075	\$7,681,534	\$7,681,534	\$85,541
Interest & Penalty on Property Tax	66,314	0	66,314	55,000	55,000	11,314
Intergovernmental	6,157,514	0	6,157,514	7,043,714	7,148,640	(991,126)
Licenses & Permits	15,356	0	15,356	12,300	12,300	3,056
Charges for Services	506,062	0	506,062	448,670	448,670	57,392
Use of Money & Property	206,771	0	206,771	255,543	255,543	(48,772)
Miscellaneous	168,946	3,173	165,773	69,747	79,452	86,321
Total Receipts	14,888,038	3,173	14,884,865	15,566,508	15,681,139	(796,274)
DISBURSEMENTS:						
Public Safety & Legal Services	2,268,050	0	2,268,050	2,391,514	2,419,069	151,019
Physical Health & Social Services	361,397	0	361,397	350,296	450,222	88,825
Mental Health	2,762,301	0	2,762,301	3,162,226	3,162,226	399,925
County Environment & Education	1,086,435	0	1,086,435	1,086,506	1,114,916	28,481
Roads & Transportation	4,081,132	0	4,081,132	5,221,000	5,221,000	1,139,868
Governmental Services to Residents	461,955	0	461,955	553,581	556,731	94,776
Administrative Services	1,951,089	0	1,951,089	2,136,582	2,139,782	188,693
Non-Program	57,583	14,860	42,723	50,823	53,323	10,600
Debt Service	474,103	0	474,103	473,903	473,903	(200)
Capital Projects	4,054,293	0	4,054,293	4,255,952	5,724,119	1,669,826
Total Disbursements	17,558,338	14,860	17,543,478	19,682,383	21,315,291	3,771,813
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,670,300)	(11,687)	(2,658,613)	(4,115,875)	(5,634,152)	2,975,539
Other Financing Sources, Net	33,213	14,860	18,353	180,000	188,500	(170,147)
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(2,637,087)	3,173	(2,640,260)	(3,935,875)	(5,445,652)	2,805,392
Balance Beginning of Year	8,855,291	22,038	8,833,253	6,795,897	8,819,326	13,927
Balance End of Year	\$6,218,204	\$25,211	\$6,192,993	\$2,860,022	\$3,373,674	\$2,819,319

See Accompanying Independent Auditors' Report

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,888,038	\$(24)	\$14,888,014
Expenditures	17,558,338	(277,814)	17,280,524
Net	(2,670,300)	277,790	(2,392,510)
Other Financing Sources, Net	33,213	0	33,213
Beginning Fund Balances	8,855,291	(977,104)	7,878,187
Increase in Reserve For: Inventories	0	70,819	70,819
Ending Fund Balances	\$6,218,204	\$(628,495)	\$5,589,709

See Accompanying Independent Auditors' Report

Buchanan County
Independence, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$100,220. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Debt Service, and Non-Program functions and disbursements in certain departments exceeded the amounts appropriated.

Buchanan County

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	\$0	\$1,013	\$1,013	0%	\$3,810	26.59%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

BUCHANAN COUNTY
Independence, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Jail Room and Board	Commissary Profit	Sheriff's Canine	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
ASSETS					
Cash & Pooled Investments:	\$139,614	\$649	\$5,155	\$225	\$41
Receivables:					
Property Tax					
Delinquent	0	0	0	0	0
Succeeding Year	0	0	0	0	0
Accounts	0	448	0	0	0
Accrued Interest	0	0	0	0	0
Drainage Assessments	0	0	0	0	0
TOTAL ASSETS	\$139,614	\$1,097	\$5,155	\$225	\$41
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
Liabilities					
Accrued Interest	\$0	\$0	\$0	\$0	\$0
Deferred Revenue					
Succeeding Year Property Tax	0	0	0	0	0
Other	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0
Fund Balances					
Reserved for Debt Service	0	0	0	0	0
Unreserved	139,614	1,097	5,155	225	41
TOTAL FUND BALANCES	139,614	1,097	5,155	225	41
TOTAL LIABILITIES AND FUND BALANCES	\$139,614	\$1,097	\$5,155	\$225	\$41

See Accompanying Independent Auditors' Report

Schedule 1

REAP	Recorder Records Management	Recorders Electronic Transaction	Nature Center	Drainage	Conservation Fiduciary	Conservation Reserve	Debt Service	Total
\$88,710	\$23,744	\$285	\$22,585	\$25,211	\$0	\$365,993	\$14,010	\$686,222
0	0	0	0	0	0	0	767	767
0	0	0	0	0	0	0	359,399	359,399
0	0	0	0	0	0	0	0	448
28	12	0	5	0	0	0	0	45
0	0	0	0	432	0	0	0	432
\$88,738	\$23,756	\$285	\$22,590	\$25,643	\$0	\$365,993	\$374,176	\$1,047,313
\$0	\$0	\$0	\$0	\$4,652	\$0	\$0	\$0	\$4,652
0	0	0	0	0	0	0	359,399	359,399
0	0	0	0	432	0	0	747	1,179
0	0	0	0	5,084	0	0	360,146	365,230
0	0	0	0	0	0	0	14,030	14,030
88,738	23,756	285	22,590	20,559	0	365,993	0	668,053
88,738	23,756	285	22,590	20,559	0	365,993	14,030	682,083
\$88,738	\$23,756	\$285	\$22,590	\$25,643	\$0	\$365,993	\$374,176	\$1,047,313

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Jail Room and Board	Commissary Profit	Sheriff's Canine	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
REVENUES:					
Property and Other County Tax	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Charges for Services	50,252	2,769	0	0	0
Use of Money and Property	0	5	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	50,252	2,774	0	0	0
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	0	11,000	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	0	0	0
Non-Program	0	0	0	0	0
Debt Service	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	0	11,000	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,252	(8,226)	6	0	0
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	50,252	(8,226)	6	0	0
Fund Balances Beginning of Year	89,362	9,323	5,149	225	41
Fund Balances End of Year	\$139,614	\$1,097	\$5,155	\$225	\$41

See Accompanying Independent Auditors' Report

Schedule 2

REAP	Recorder's Records Management	Recorder's Electronic Transaction	Nature Center	Drainage	Conservation Fiduciary	Conservation Reserve	Debt Service	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$444,054	\$444,054
18,703	0	0	0	0	0	7,123	19,966	45,792
0	4,125	0	0	0	0	0	0	57,146
382	45	6	58	0	0	425	0	927
0	0	0	0	1,568	0	6,302	0	7,870
19,085	4,170	6	58	1,568	0	13,850	464,020	555,789
0	0	0	0	0	0	0	0	11,000
11,500	0	0	362	0	449	21,860	0	34,171
0	1,061	0	0	0	0	0	0	1,061
0	0	0	0	3,005	0	0	0	3,005
0	0	0	0	0	0	0	464,768	464,768
0	0	0	0	0	0	4,000	0	4,000
11,500	1,061	0	362	3,005	449	25,860	464,768	518,005
7,585	3,109	6	(304)	(1,437)	(449)	(12,010)	(748)	37,784
0	0	0	0	0	0	8,000	0	8,000
0	0	0	0	14,860	0	0	0	14,860
0	0	0	0	14,860	0	8,000	0	22,860
7,585	3,109	6	(304)	13,423	(449)	(4,010)	(748)	60,644
81,153	20,647	279	22,894	7,136	449	370,003	14,778	621,439
\$88,738	\$23,756	\$285	\$22,590	\$20,559	\$0	\$365,993	\$14,030	\$682,083

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	\$0	\$2,313	\$100,613	\$141,233
Other County Officials	40,655	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	11	12	662
Succeeding Year	0	181,865	210,826	11,292,466
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
TOTAL ASSETS	\$40,655	\$184,189	\$311,451	\$11,434,361
LIABILITIES				
Accounts Payable	\$0	\$0	\$0	\$0
Due to Other Governments	0	184,189	307,174	11,434,361
Trusts Payable	40,655	0	0	0
Compensated Absences	0	0	4,277	0
TOTAL LIABILITIES	\$40,655	\$184,189	\$311,451	\$11,434,361

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Total
\$9,441	\$63,039	\$2,931	\$438,365	\$352,109	\$1,110,044
0	0	0	0	0	40,655
47	466	5	0	57	1,260
800,388	5,016,676	236,498	0	971,046	18,709,765
0	0	0	0	13,140	13,140
0	0	0	0	135	135
<u>\$809,876</u>	<u>\$5,080,181</u>	<u>\$239,434</u>	<u>\$438,365</u>	<u>\$1,336,487</u>	<u>\$19,874,999</u>
\$0	\$0	\$0	\$0	\$60,384	\$60,384
809,876	5,080,181	239,434	438,365	1,245,964	19,739,544
0	0	0	0	27,401	68,056
0	0	0	0	2,738	7,015
<u>\$809,876</u>	<u>\$5,080,181</u>	<u>\$239,434</u>	<u>\$438,365</u>	<u>\$1,336,487</u>	<u>\$19,874,999</u>

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$59,152	\$183,090	\$289,755	\$10,938,972
Additions:				
Property and Other County Tax	0	181,816	210,769	11,289,910
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,293	9,444	497,759
Office Fees and Collections	473,331	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	190,471	0	0	0
Miscellaneous	0	0	647	0
Total Additions	663,802	190,109	220,860	11,787,669
Deductions:				
Agency Remittances:				
To Other Funds	212,775	0	0	0
To Other Governments	238,483	189,010	199,164	11,292,280
Trusts Paid Out	231,041	0	0	0
Total Deductions	682,299	189,010	199,164	11,292,280
Balances End of Year	\$40,655	\$184,189	\$311,451	\$11,434,361

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Totals
\$741,706	\$4,745,522	\$233,648	\$388,421	\$1,126,854	\$18,707,120
800,297	4,977,821	238,270	0	970,780	18,669,663
0	0	0	0	162,257	162,257
33,183	188,201	10,385	0	43,960	791,225
0	0	0	0	0	473,331
0	0	0	5,175,891	0	5,175,891
0	0	0	0	30,073	30,073
0	0	0	0	312,516	502,987
0	0	0	0	289,546	290,193
833,480	5,166,022	248,655	5,175,891	1,809,132	26,095,620
0	0	0	203,691	0	416,466
765,310	4,831,363	242,869	4,922,256	1,295,545	23,976,280
0	0	0	0	303,954	534,995
765,310	4,831,363	242,869	5,125,947	1,599,499	24,927,741
\$809,876	\$5,080,181	\$239,434	\$438,365	\$1,336,487	\$19,874,999

BUCHANAN COUNTY
Independence, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Eight Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Property & Other County Tax	\$7,763,397	\$7,533,877	\$6,995,987	\$6,978,285
Interest & Penalty On Property Tax	66,404	63,175	62,457	31,435
Intergovernmental	6,164,281	7,651,861	6,377,517	5,972,865
Licenses & Permits	14,626	19,696	15,005	14,006
Charges For Service	506,916	528,278	484,404	503,470
Use of Money & Property	202,933	297,499	325,461	328,005
Miscellaneous	175,390	248,352	224,273	125,384
Total	\$14,893,947	\$16,342,738	\$14,485,104	\$13,953,450
Expenditures:				
Operating:				
Public Safety & Legal Services	\$2,275,371	\$2,262,534	\$2,493,996	\$1,956,602
Physical Health & Social Services	383,162	303,930	280,727	282,550
Mental Health	2,845,162	2,982,372	2,874,459	2,815,813
County Environment & Education	1,095,370	1,218,764	1,228,838	881,996
Roads and Transportation	3,970,327	5,289,483	4,025,950	3,626,634
Governmental Services To Residents	460,838	469,532	462,462	372,033
Administration	1,995,945	2,018,487	1,896,146	1,893,738
Non-program	46,214	69,446	53,712	33,522
Debt Services	474,103	455,055	104,105	186,343
Capital Projects	3,734,032	3,203,622	169,620	713,308
Total	\$17,280,524	\$18,273,225	\$13,590,015	\$12,762,539

See Accompanying Independent Auditors' Report

Schedule 5

Modified Accrual Basis			
2006	2005	2004	2003
\$6,468,892	\$6,390,781	\$5,776,781	\$5,200,535
60,696	65,401	57,370	52,977
5,662,227	5,896,416	5,284,982	4,742,734
16,631	13,907	14,475	12,182
515,110	591,508	553,649	537,460
258,912	150,031	115,019	125,301
215,443	155,551	126,927	158,158
\$13,197,911	\$13,263,595	\$11,929,203	\$10,829,347
\$2,493,081	\$2,397,070	\$2,218,273	\$2,233,465
159,317	169,989	156,274	183,352
2,504,044	2,505,863	2,371,445	2,248,634
830,266	623,719	593,717	617,592
4,434,783	4,398,858	3,212,903	3,441,287
573,061	386,754	334,368	337,830
1,809,031	1,422,123	1,351,040	1,227,014
32,282	29,224	101,051	35,563
182,283	106,441	239,299	252,078
905,675	934,422	338,056	241,242
\$13,923,823	\$12,974,463	\$10,916,426	\$10,818,057

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Community Oriented Policing Services 2008 COPS Technology Program	16.710	2008CKWX0320	<u>\$277,085</u>
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		<u>\$11,001</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Iowa/Byrne – Justice Assistance Grant (JAG) Program/ ARRA	16.803	09JAG/ARRA-214	<u>76,066</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205		<u>7,540</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Incentive Grants for Use of Seat Belts	20.604	PAP 10-406, Task 21	<u>4,500</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	84.397	S397A090016A	<u>32,030</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health :			
Public Health Emergency Preparedness and Response	93.069	5880BT10	<u>76,202</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		<u>4,856</u>
Refugee and Entrant Assistance	93.566		<u>31</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>2,874</u>
Foster Care – Title IV-E	93.658		<u>5,809</u>
Adoption Assistance	93.659		<u>1,450</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (Continued):			
U.S. Department of Health and Human Services (Continued):			
Iowa Department of Human Services (Continued):			
Human Services Administrative Reimbursements (Continued):			
Medical Assistance Program	93.778		\$12,332
Childrens' Health Insurance Program	93.767		65
Social Services Block Grant	93.667		5,588
Social Services Block Grant	93.667		81,710
			87,298
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management			
Division:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR 1763	28,676
Total Indirect			\$350,730
Total			\$627,815

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

See accompanying independent auditors' report.



Gardiner Thomsen
Certified Public Accountants

**Independent Auditors' 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 Buchanan County:
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buchanan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Buchanan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Buchanan 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10 and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-10 and II-E-10 to be significant deficiencies.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Buchanan 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 the County's operations for the year ended June 30, 2010 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.

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

March 25, 2011

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' 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 Buchanan County:
Independence, Iowa

Compliance

We have audited the compliance of Buchanan County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2010. Buchanan 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 its major federal programs are the responsibility of Buchanan County's management. Our responsibility is to express an opinion on Buchanan County's compliance based on our audit.

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

In our opinion, Buchanan County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Buchanan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Buchanan 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 in accordance with OMB Circular A-133, 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 Buchanan County's internal control over compliance.

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

March 25, 2011

Gardiner Thomsen, P.C.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' 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) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The audit disclosed no audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were CFDA Number 16.710 – Community Oriented Policing Services and CFDA Number 16.803 – Iowa/Byrne – Justice Assistance Grant (JAG) Program/ARRA.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Buchanan County did not qualify as a low-risk auditee.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

II-A-10 **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. Responsibility for the custody of receipts and for the record keeping and reconciling functions for the County Treasurer’s office are not segregated due to small office size. Also, an independent person does not approve bank wire transfers for investments.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

II-B-10 **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, capital assets and infrastructure not recorded or incorrectly recorded in the County’s financial statements. Material amounts of infrastructure were added due to timing errors and the historic cost on material amounts of infrastructure were incorrect. 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, payables and capital assets are identified and included in the County’s financial statements.

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

Conclusion – Response accepted.

II-C-10 **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Buchanan County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010

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

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

II-D-10 **Credit Card Policy** – Several departments have credit cards for use by various employees while on County business. The County does not have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The County should develop a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Response – We will develop and implement a written policy as soon as possible.

Conclusion – Response accepted.

II-E-10 **I-Jobs Financial Reporting** – The grant agreement for the I-Jobs Grant program requires the County to submit quarterly reports showing all I-Jobs activity by the last day of the calendar year quarter until the Fiscal Year's allocation is used and the project the allocation is used for is finished. The submission of the reports enables the Iowa Department of Transportation to submit an annual report to the legislature in accordance with House File 820 and 822. The purpose of these reporting requirements is to provide transparency and accountability to the people of Iowa. Financial reports for the Iowa Department of Transportation regarding I-Jobs funds weren't submitted for each quarter in Fiscal Year 2010.

Recommendation – The County should implement procedures to ensure timely submission of I-Jobs financial reports in accordance with the grant requirements.

Response – We attempted to submit our quarterly report for the first quarter, but we encountered computer issues during the submission process. We contacted the DOT, and they informed us we could submit one for the next quarter for both quarters without penalty.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLAINE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 **Certified Budget** -- Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Debt Service and Non-Program functions. Disbursements exceeded amounts appropriated in several departments during the year ended June 30, 2010.

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 function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed appropriations.

Response –We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-10 **Questionable Expenditures** – We noted no expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-10 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 **Business Transaction** – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Cindy Gosse, County Auditor Stephanie Witt Daughter of Cindy Gosse	Election Worker	\$163
Cindy Gosse, County Auditor Brea Witt Daughter- In-Law of Cindy Gosse	Election Worker	145
Cindy Gosse, County Auditor Luke Gosse Step Son of Cindy Gosse	Election Worker	128
Michelle Mangrich, Deputy Recorder Marianne Cayotte Mother of Michelle Mangrich	Election Worker	284
Vanessa Tisl, Deputy Auditor Maryls Miller Mother of Vanessa Tisl	Election Worker	221

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010

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

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Phyllis Haisch, Assessor's Office		
Lloyd Haisch		
Spouse of Phyllis Haisch	Election Worker	\$523

The services provided by Stephanie Witt, Brea Witt, Luke Gosse, Marlene Mangrich, Maryls Miller and Lloyd Haisch do not appear to represent conflicts of interest as the services provided were not in excess of \$1,500 as allowed by Chapter 331.342 of the Code of Iowa.

IV-E-10 **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

IV-F-10 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board held a public hearing for approval of a Conservation land purchase contract for which no public notice was published.

Recommendation –The Board of Supervisors should publish public notice prior to the public hearing for approval of the incurrence of debt in accordance with Chapter 331.479 of the Code of Iowa.

Response –We will publish public notice when required.

Conclusion – Response accepted.

IV-G-10 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

IV-H-10 **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-10 **Economic Development** – During the year ended June 30, 2010, the County spent \$253,096 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

IV-J-10 **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, 2010 for the County Extension Office did not exceed the amount budgeted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Buchanan County, Iowa.

The County had local tax revenue of \$27,613,243 for the year ended June 30, 2010, which included \$1,107,836 in tax credits from the State. The County then forwarded \$18,499,082 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$8,152,355 of the local tax revenue to finance County operations, a 2% increase from the prior year. Other revenues included charges for service of \$1,799,852, operating and capital grants, contributions and restricted interest of \$7,930,194, unrestricted investment earnings of \$49,316 and other general revenues of \$89,298.

Expenses for the County operations totaled \$15,100,769, a 6% decrease from the prior year. Expenses included \$5,076,709 for Roads and Transportation, \$2,699,397 for Public Safety and Legal Services, and \$2,865,148 for Mental Health.

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

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