

CLARKE COUNTY

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

JUNE 30, 2010

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2013
Ronald L. Wheeler	County Attorney	Jan. 2011
Walt Paschell	County Assessor	Jan. 2010
(After January 2010)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2013
Ronald L. Wheeler	County Attorney	Jan. 2011
Paul Winship	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke 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. These financial statements are the responsibility of Clarke 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County as of 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 23, 2011 on our consideration of Clarke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 44 through 47 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. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke 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 five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 23, 2011

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Basic Financial Statements

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,786,350
Receivables:	
Property tax:	
Delinquent	40,506
Succeeding year	3,797,000
Interest and penalty on property tax	243,133
Accounts	34,245
Accrued interest	1,982
Due from other governments	200,120
Inventories	178,283
Prepaid expenses	94,647
Capital assets, net of accumulated depreciation (note 4)	<u>14,666,874</u>
 Total assets	 <u>21,043,140</u>
Liabilities	
Accounts payable	281,238
Salaries and benefits payable	98,857
Due to other governments (note 5)	115,563
Accrued interest payable	36,771
Deferred revenue:	
Succeeding year property tax	3,797,000
Long-term liabilities (notes 6 and 9):	
Portion due or payable within one year:	
Capital loan notes	135,000
Child care center revenue notes	6,819
Promissory note	20,691
Capital lease purchase agreements	70,576
Compensated absences	176,397
Portion due or payable after one year:	
Capital loan notes	605,000
Child care center revenue notes	513,452
Promissory note	21,507
Capital lease purchase agreements	346,563
Net OPEB liability	<u>15,191</u>
 Total liabilities	 <u>6,240,625</u>

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 13,067,880
Restricted for:	
Supplemental levy purposes	153,365
Mental health purposes	27,618
Rural services	180,298
Secondary roads	565,177
Debt service	43,128
Capital projects	17,245
Other special revenue purposes	264,569
Inmate room and board	63,064
Unrestricted	<u>420,171</u>
Total net assets	<u><u>\$ 14,802,515</u></u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,836,801	\$ 415,768	\$ 300	\$ -	\$ (1,420,733)
Physical health and social services	1,155,930	180,534	308,601	11,000	(655,795)
Mental health	938,643	74	562,010	-	(376,559)
County environment and education	278,330	15,957	14,255	-	(248,118)
Roads and transportation	3,002,601	325,298	1,723,227	1,036,801	82,725
Government services to residents	367,644	157,187	-	-	(210,457)
Administration	881,356	12,334	992	-	(868,030)
Interest on long-term debt	59,395	-	74,372	-	14,977
Total	<u>\$ 8,520,700</u>	<u>\$ 1,107,152</u>	<u>\$ 2,683,757</u>	<u>\$ 1,047,801</u>	<u>(3,681,990)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,366,609
Debt service					158,370
Penalty and interest on property tax					82,201
State tax credits					144,040
Gaming tax					242,929
Unrestricted investment earnings					<u>30,536</u>
Total general revenues					<u>4,024,685</u>
Change in net assets					342,695
Net assets beginning of year					<u>14,459,820</u>
Net assets end of year					<u>\$ 14,802,515</u>

See notes to financial statements.

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CLARKE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 394,888	\$ 162,146	\$ 291,350	\$ 396,065
Receivables:				
Property tax:				
Delinquent	26,902	5,058	6,658	-
Succeeding year	2,393,000	410,000	835,000	-
Interest and penalty on property tax	243,133	-	-	-
Accounts	31,442	73	-	2,526
Accrued interest	1,880	-	-	-
Due from other governments	82,470	-	-	117,650
Inventories	-	-	-	178,283
Prepaid expenses	70,174	-	-	24,473
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>3,243,889</u>	\$ <u>577,277</u>	\$ <u>1,133,008</u>	\$ <u>718,997</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 431,767	\$ 1,676,216
1,888	40,506
159,000	3,797,000
-	243,133
204	34,245
99	1,979
-	200,120
-	178,283
-	94,647
<u>\$ 592,958</u>	<u>\$ 6,266,129</u>

CLARKE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 80,763	\$ 23,603	\$ 1,498	\$ 103,509
Salaries and benefits payable	60,769	493	10,449	27,146
Due to other governments (note 5)	-	115,563	-	-
Deferred revenue:				
Succeeding year property tax	2,393,000	410,000	835,000	-
Other	270,035	5,058	6,658	-
Total liabilities	2,804,567	554,717	853,605	130,655
Fund balances:				
Reserved for:				
Inventories	-	-	-	178,283
Prepaid expenses	70,174	-	-	24,473
Supplemental levy purposes	74,741	-	37,329	-
Debt service	-	-	-	-
Inmate room and board	63,064	-	-	-
Veterans memorial	192	-	-	-
Grounds and maintenance	992	-	-	-
Unreserved, reported in:				
General fund	230,159	-	-	-
Special revenue funds	-	22,560	242,074	385,586
Capital projects fund	-	-	-	-
Total fund balances	439,322	22,560	279,403	588,342
Total liabilities and fund balances	\$ 3,243,889	\$ 577,277	\$ 1,133,008	\$ 718,997

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,345	\$ 210,718
-	98,857
-	115,563
159,000	3,797,000
1,888	283,639
<u>162,233</u>	<u>4,505,777</u>
-	178,283
-	94,647
-	112,070
68,297	68,297
-	63,064
-	192
-	992
-	230,159
264,569	914,789
97,859	97,859
<u>430,725</u>	<u>1,760,352</u>
<u>\$ 592,958</u>	<u>\$ 6,266,129</u>

CLARKE COUNTY

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

Total fund balances of governmental funds	\$ 1,760,352
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$23,047,283 and the accumulated depreciation is \$8,380,409.	14,666,874
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	283,639
The Internal Service Fund is used by management to charge the costs of the County's health insurance and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	39,617
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(36,771)
Long-term liabilities, including notes payable, purchase agreements payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,911,196)</u>
Net assets of governmental activities	<u>\$ 14,802,515</u>

See notes to financial statements.

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CLARKE COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,424,167	\$ 410,468	\$ 772,079	\$ -
Interest and penalty on property tax	56,151	-	-	-
Intergovernmental	741,482	578,546	33,694	1,851,587
Licenses and permits	6,525	-	2,850	785
Charges for service	310,728	-	150	156
Use of money and property	30,637	-	-	-
Miscellaneous	89,960	74	4,266	324,357
Total revenues	<u>3,659,650</u>	<u>989,088</u>	<u>813,039</u>	<u>2,176,885</u>
Expenditures:				
Operating:				
Public safety and legal services	1,479,963	-	250,314	-
Physical health and social services	1,055,582	-	-	-
Mental health	-	938,643	-	-
County environment and education	160,644	-	95,310	-
Roads and transportation	-	-	-	2,482,289
Government services to residents	360,455	-	-	-
Administration	815,736	-	-	-
Debt service	-	-	-	13,980
Capital projects	-	-	-	42,745
Total expenditures	<u>3,872,380</u>	<u>938,643</u>	<u>345,624</u>	<u>2,539,014</u>
Excess (deficiency) of revenues over (under) expenditures	(212,730)	50,445	467,415	(362,129)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	425,000
Interfund transfers out (note 3)	-	-	(437,500)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(437,500)</u>	<u>425,000</u>
Net change in fund balances	(212,730)	50,445	29,915	62,871
Fund balances beginning of year	<u>652,052</u>	<u>(27,885)</u>	<u>249,488</u>	<u>525,471</u>
Fund balances end of year	<u>\$ 439,322</u>	<u>\$ 22,560</u>	<u>\$ 279,403</u>	<u>\$ 588,342</u>

See notes to financial statements.

Nonmajor Governmental			
	<u>Funds</u>	<u>Total</u>	
\$	157,713	\$ 3,764,427	
	-	56,151	
	94,566	3,299,875	
	-	10,160	
	1,723	312,757	
	10,372	41,009	
	22,254	440,911	
	<u>286,628</u>	<u>7,925,290</u>	
	11,658	1,741,935	
	-	1,055,582	
	-	938,643	
	-	255,954	
	-	2,482,289	
	-	360,455	
	-	815,736	
	258,869	272,849	
	21,207	63,952	
	<u>291,734</u>	<u>7,987,395</u>	
	(5,106)	(62,105)	
	12,500	437,500	
	-	(437,500)	
	<u>12,500</u>	<u>-</u>	
	7,394	(62,105)	
	<u>423,331</u>	<u>1,822,457</u>	
\$	<u><u>430,725</u></u>	<u><u>1,760,352</u></u>	

CLARKE COUNTY

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 \$ (62,105)

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

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

	Expenditures for capital assets	\$ 171,818	
Capital assets contributed by the Iowa Department of Transportation		908,442	
	Depreciation expense	<u>(904,133)</u>	176,127

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	3,481	
	Other	<u>26,050</u>	29,531

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. 295,949

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

	Compensated absences	(9,409)	
	Net OPEB liability	(15,191)	
	Interest on long-term debt	<u>4,875</u>	(19,725)

The Internal Service Fund is used by management to charge the costs of
the County's health insurance and flexible benefits plans to individual
funds. The change in net assets of the Internal Service Funds is reported
with governmental activities. (77,082)

Change in net assets of governmental activities \$ 342,695

See notes to financial statements.

CLARKE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2010

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 110,134
Accrued interest receivable	<u>3</u>
Total assets	<u>110,137</u>
Liabilities	
Accounts payable	<u>70,520</u>
Net Assets	
Unrestricted	\$ <u><u>39,617</u></u>

See notes to financial statements.

CLARKE COUNTY

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

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 790,595
Charges to employees and others	<u>181,127</u>
Total operating revenues	<u>971,722</u>
Operating expenses:	
Insurance premiums	1,021,658
Flexible spending claims	25,664
Administrative fees	<u>1,614</u>
Total operating expenses	<u>1,048,936</u>
Operating loss	(77,214)
Non-operating revenues:	
Interest on investments	<u>132</u>
Net loss	(77,082)
Net assets beginning of year	<u>116,699</u>
Net assets end of year	<u>\$ 39,617</u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 790,595
Cash received from employees and others	181,127
Cash payments to suppliers for services	<u>(978,416)</u>
Net cash used by operating activities	<u>(6,694)</u>
Cash flows from investing activities:	
Interest on investments	<u>145</u>
Net decrease in cash and cash equivalents	(6,549)
Cash and cash equivalents beginning of year	<u>116,683</u>
Cash and cash equivalents end of year	<u><u>\$ 110,134</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (77,214)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	<u>70,520</u>
Net cash used by operating activities	<u><u>\$ (6,694)</u></u>

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	462,108
Other County officials		38,917
Receivables:		
Property tax:		
Delinquent		119,776
Succeeding year		10,057,000
Accounts		2,246
Due from other governments		12,758
Prepaid expenses		<u>14,332</u>
 Total assets	 \$	 <u><u>10,707,137</u></u>

Liabilities

Accounts payable	\$	24,550
Salaries and benefits payable		4,199
Due to other governments (note 5)		10,522,095
Trusts payable		147,118
Compensated absences		<u>9,175</u>
 Total liabilities	 \$	 <u><u>10,707,137</u></u>

See notes to financial statements.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies

Clarke 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, Clarke 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. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. 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.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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 are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
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	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$1,297,219.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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 the amount budgeted in the debt service function.

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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 425,000
SIRWA Grid Project Sinking	Rural Services	<u>12,500</u>
		<u>\$ 437,500</u>

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 571,654	\$ -	\$ -	\$ 571,654
Capital assets being depreciated:				
Buildings	7,036,338	-	-	7,036,338
Machinery and equipment	3,527,995	123,912	130,867	3,521,040
Infrastructure	10,961,903	956,348	-	11,918,251
Total capital assets being depreciated	<u>21,526,236</u>	<u>1,080,260</u>	<u>130,867</u>	<u>22,475,629</u>
Less accumulated depreciation for:				
Buildings	1,760,980	196,562	-	1,957,542
Machinery and equipment	2,219,168	310,296	130,867	2,398,597
Infrastructure	3,626,995	397,275	-	4,024,270
Total accumulated depreciation	<u>7,607,143</u>	<u>904,133</u>	<u>130,867</u>	<u>8,380,409</u>
Total capital assets being depreciated, net	<u>13,919,093</u>	<u>176,127</u>	<u>-</u>	<u>14,095,220</u>
Governmental activities capital assets, net	<u>\$ 14,490,747</u>	<u>\$ 176,127</u>	<u>\$ -</u>	<u>\$ 14,666,874</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	134,848
Physical health and social services		85,715
County environment and education		41,628
Roads and transportation		596,653
Administration		<u>45,289</u>
Total depreciation expense - governmental activities	\$	<u><u>904,133</u></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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>115,563</u></u>
Agency:		
County Assessor	Collections	\$ 299,619
Schools		4,672,991
Area Schools		216,925
Corporations		3,912,199
County Hospital		1,054,965
Auto License and Use Tax		163,774
All Other		<u>201,622</u>
Total for agency funds		\$ <u><u>10,522,095</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 910,000	\$ -	\$ 170,000	\$ 740,000	\$ 135,000
Real Estate Purchase Agreement	20,021	-	20,021	-	-
Child Care Center Revenue Notes	526,781	-	6,510	520,271	6,819
Promissory Note	61,942	-	19,744	42,198	20,691
Capital Lease Purchase Agreements	484,765	-	67,626	417,139	70,576
Line of Credit	12,048	-	12,048	-	-
Compensated Absences	166,988	176,397	166,988	176,397	176,397
Net OPEB Liability	-	15,191	-	15,191	-
Balance end of year	<u>\$ 2,182,545</u>	<u>\$ 191,588</u>	<u>\$ 462,937</u>	<u>\$ 1,911,196</u>	<u>\$ 409,483</u>

Capital Loan Notes Payable

A summary of the County's general obligation capital loan note indebtedness at June 30, 2010 is as follows:

Year Ending June 30,	Series Dated October 15, 2007			Series Dated June 15, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	4.75 %	\$ 55,000	\$ 10,462	3.20 %	\$ 80,000	\$ 17,670
2012	4.75	60,000	7,850	3.40	80,000	15,110
2013	4.00	60,000	5,000	3.50	90,000	12,390
2014	4.00	65,000	2,600	3.60	90,000	9,240
2015	-	-	-	3.75	160,000	6,000
		<u>\$ 240,000</u>	<u>\$ 25,912</u>		<u>\$ 500,000</u>	<u>\$ 60,410</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes Payable (continued)

Year Ending June 30,	Total	
	Principal	Interest
2011	\$ 135,000	\$ 28,132
2012	140,000	22,960
2013	150,000	17,390
2014	155,000	11,840
2015	160,000	6,000
	<u>\$ 740,000</u>	<u>\$ 86,322</u>

Child Care Center Revenue Notes

Details of the County's June 30, 2010 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.75 %	\$ 6,819	\$ 24,713	\$ 31,532
2012	4.75	7,143	24,389	31,532
2013	4.75	7,482	24,050	31,532
2014	4.75	7,838	23,694	31,532
2015	4.75	8,210	23,322	31,532
2016-2020	4.75	47,283	110,377	157,660
2021-2025	4.75	59,632	98,028	157,660
2026-2030	4.75	75,205	82,455	157,660
2031-2035	4.75	94,846	62,814	157,660
2036-2040	4.75	119,616	38,044	157,660
2041-2043	4.75	86,197	8,317	94,514
		<u>\$ 520,271</u>	<u>\$ 520,203</u>	<u>\$ 1,040,474</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 6. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

Promissory Note

During the year ended June 30, 2007, the County borrowed \$98,767 on a bank promissory note. The note is payable in five annual payments including interest at 4.8%. The proceeds were used to purchase a dump truck.

A summary of the County's promissory note indebtedness at June 30, 2010 is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 20,691	\$ 2,023	\$ 22,714
2012	21,507	1,029	22,536
	<u>\$ 42,198</u>	<u>\$ 3,052</u>	<u>\$ 45,250</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the County entered into a capital lease purchase agreement for \$296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

A summary of the County's capital lease purchase agreement indebtedness at June 30, 2010 is as follows:

Year Ending June 30,	March 14, 2008			August 15, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 40,688	\$ 8,367	\$ 49,055	\$ 14,873	\$ 3,971	\$ 18,844
2012	42,239	6,816	49,055	15,472	3,372	18,844
2013	43,849	5,206	49,055	16,094	2,750	18,844
2014	45,520	3,535	49,055	16,742	2,102	18,844
2015	47,255	1,802	49,057	17,415	1,429	18,844
2016	-	-	-	18,116	729	18,845
	<u>\$ 219,551</u>	<u>\$ 25,726</u>	<u>\$ 245,277</u>	<u>\$ 98,712</u>	<u>\$ 14,353</u>	<u>\$ 113,065</u>

Year Ending June 30,	September 10, 2008			Total		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 15,015	\$ 3,670	\$ 18,685	\$ 70,576	\$ 16,008	\$ 86,584
2012	15,572	3,113	18,685	73,283	13,301	86,584
2013	16,150	2,535	18,685	76,093	10,491	86,584
2014	16,750	1,935	18,685	79,012	7,572	86,584
2015	17,372	1,313	18,685	82,042	4,544	86,586
2016	18,017	669	18,686	36,133	1,398	37,531
	<u>\$ 98,876</u>	<u>\$ 13,235</u>	<u>\$ 112,111</u>	<u>\$ 417,139</u>	<u>\$ 53,314</u>	<u>\$ 470,453</u>

Note 7. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2010. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2010 was \$8,292.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 8. Short-Term Debt Activity

During the year ended June 30, 2010, the County entered into a short-term loan from the General Supplemental Fund to the General Basic Fund for the amount of \$100,000. The County also entered into a short term loan from the Rural Basic Fund to the General Basic Fund in the amount of \$50,000. The loans were necessary to provide temporary financing during periods of low cash flow. A summary of the activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
General Basic Fund	\$ -	\$ 150,000	\$ 150,000	\$ -

Note 9. Other Postemployment Benefits (OPEB)

Clarke County prospectively 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 and prescription drug benefits for retirees and their spouses. There are 75 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. 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 benefit 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 (ARC) of the County, 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.

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

Annual required contribution	\$ 41,742
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	41,742
Contributions made	(26,551)
Increase in net OPEB obligation	15,191
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ 15,191

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 9. Other Postemployment Benefits (OPEB) (continued)

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 actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$26,551 to the medical plan.

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 41,742	63.6%	\$ 15,191

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$298,793, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$298,793. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,483,000 and the ratio of the UAAL to covered payroll was 12.0%. 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 health care 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 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. Mortality rates are from the RP2000 Combined Mortality Table projected to 2010.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 9. Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan are \$965 per month for non-union retirees less than age 65 and \$883 per month for union retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$213,131, \$199,664 and \$175,749, respectively, equal to the required contributions for each year.

Note 11. Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$112,101.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 11. Risk Management (continued)

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.

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 claims 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 its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 12. Subsequent Events

In August 2010, the County issued \$690,000 of General Obligation Capital Loan Notes. The note proceeds will be used for remodeling and reconstruction of the community services building and to repair and improve infrastructure relating to damages covered by the State of Iowa Disaster Proclamation on January 15, 2010. The notes will be repaid over seven years with interest rates ranging from 2.5% to 3.0%.

In September 2010, the County entered into a capital lease purchase agreement for \$144,877 to purchase a wheel loader. The agreement will be paid in five equal annual payments including interest at 3.5%.

In November 2010, the County entered into a capital lease purchase agreement for \$141,367 to purchase a motor grader. The agreement will be paid in seven equal annual payments including interest at 3.25%.

In November 2010, the County entered into a contract totaling \$116,595 for improvements to the community services building.

In March 2011, the County approved the issuance of \$180,000 of general obligation solid waste disposal bonds. The bond proceeds will be used for closure costs for the Clarke County landfill. The bonds will be repaid over ten years with interest rates ranging from 3.40% to 3.78%.

Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,769,528	\$ 3,787,027	\$ 3,787,027	\$ (17,499)
Interest and penalty on property tax	56,151	45,000	45,000	11,151
Intergovernmental	3,443,919	4,305,027	4,401,940	(958,021)
Licenses and permits	10,460	15,600	15,600	(5,140)
Charges for service	341,353	236,740	236,740	104,613
Use of money and property	44,894	77,000	77,000	(32,106)
Miscellaneous	384,430	371,333	372,333	12,097
Total receipts	<u>8,050,735</u>	<u>8,837,727</u>	<u>8,935,640</u>	<u>(884,905)</u>
DISBURSEMENTS:				
Public safety and legal services	1,731,146	1,864,815	1,867,475	136,329
Physical health and social services	1,023,539	1,087,215	1,185,128	161,589
Mental health	1,023,704	1,277,372	1,277,372	253,668
County environment and education	253,306	255,915	260,005	6,699
Roads and transportation	2,470,316	2,867,450	2,867,450	397,134
Government services to residents	358,766	368,372	368,372	9,606
Administration	812,181	818,454	831,806	19,625
Non-program	-	-	3,000	3,000
Debt service	306,725	258,870	258,870	(47,855)
Capital projects	62,606	728,500	728,500	665,894
Total disbursements	<u>8,042,289</u>	<u>9,526,963</u>	<u>9,647,978</u>	<u>1,605,689</u>
Excess (deficiency) of receipts over (under) disbursements	8,446	(689,236)	(712,338)	720,784
Other financing sources, net	-	74,372	74,372	(74,372)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,446	(614,864)	(637,966)	646,412
Balance beginning of year	<u>1,667,770</u>	<u>1,771,945</u>	<u>1,771,945</u>	<u>(104,175)</u>
Balance end of year	<u>\$ 1,676,216</u>	<u>\$ 1,157,081</u>	<u>\$ 1,133,979</u>	<u>\$ 542,237</u>

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,050,735	\$ (125,445)	\$ 7,925,290
Expenditures	8,042,289	(54,894)	7,987,395
Net	8,446	(70,551)	(62,105)
Beginning fund balances	1,667,770	154,687	1,822,457
Ending fund balances	<u>\$ 1,676,216</u>	<u>\$ 84,136</u>	<u>\$ 1,760,352</u>

See accompanying independent auditor's report.

CLARKE COUNTY

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$121,015. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function. Disbursements did not exceed departmental appropriations in any County department.

CLARKE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)
Required Supplementary Information
Year Ended June 30, 2010

Year Ended June 30,	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)
2010	July 1, 2009	\$ -	\$ 299	\$ 299	0.0%	\$ 2,483	12.0%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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Other Supplementary Information

CLARKE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
Assets				
Cash and pooled investments	\$ 14,724	\$ 109,394	\$ 48,768	\$ 26,798
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	204	-	-	-
Accrued interest	11	64	-	24
Total assets	\$ <u>14,939</u>	\$ <u>109,458</u>	\$ <u>48,768</u>	\$ <u>26,822</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	14,939	109,458	48,768	26,822
Total fund balances	14,939	109,458	48,768	26,822
Total liabilities and fund balances	\$ <u>14,939</u>	\$ <u>109,458</u>	\$ <u>48,768</u>	\$ <u>26,822</u>

See accompanying independent auditor's report.

		Debt Service				
County Attorney Forfeiture	SIRWA Grid Project Sinking	Debt Service	Child Care Center Reserve	Capital Projects	Total	
\$ 2,082	\$ 62,500	\$ 43,758	\$ 24,539	\$ 99,204	\$ 431,767	
-	-	1,888	-	-	1,888	
-	-	159,000	-	-	159,000	
-	-	-	-	-	204	
-	-	-	-	-	99	
<u>\$ 2,082</u>	<u>\$ 62,500</u>	<u>\$ 204,646</u>	<u>\$ 24,539</u>	<u>\$ 99,204</u>	<u>\$ 592,958</u>	
\$ -	\$ -	\$ -	\$ -	\$ 1,345	\$ 1,345	
-	-	159,000	-	-	159,000	
-	-	1,888	-	-	1,888	
-	-	160,888	-	1,345	162,233	
-	-	43,758	24,539	-	68,297	
2,082	62,500	-	-	97,859	362,428	
<u>2,082</u>	<u>62,500</u>	<u>43,758</u>	<u>24,539</u>	<u>97,859</u>	<u>430,725</u>	
<u>\$ 2,082</u>	<u>\$ 62,500</u>	<u>\$ 204,646</u>	<u>\$ 24,539</u>	<u>\$ 99,204</u>	<u>\$ 592,958</u>	

CLARKE COUNTY

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

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	14,255	-	-
Charges for service	1,723	-	-	-
Use of money and property	67	892	9,263	150
Miscellaneous	-	-	1,909	100
Total revenues	<u>1,790</u>	<u>15,147</u>	<u>11,172</u>	<u>250</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	19,862	-
Total expenditures	<u>-</u>	<u>-</u>	<u>19,862</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,790	15,147	(8,690)	250
Other financing sources:				
Interfund transfers in	-	-	-	-
Net change in fund balances	1,790	15,147	(8,690)	250
Fund balances beginning of year	<u>13,149</u>	<u>94,311</u>	<u>57,458</u>	<u>26,572</u>
Fund balances end of year	\$ <u>14,939</u>	\$ <u>109,458</u>	\$ <u>48,768</u>	\$ <u>26,822</u>

See accompanying independent auditor's report.

County Attorney Forfeiture	Local Option Sales and Services Tax Revenue	SIRWA Grid Project Sinking	Debt Service			Capital Projects	Total
			Debt Service	Child Care Center Reserve			
\$ -	\$ -	\$ -	157,713	\$ -	\$ -	157,713	
-	-	-	80,311	-	-	94,566	
-	-	-	-	-	-	1,723	
-	-	-	-	-	-	10,372	
3,000	-	-	-	-	17,245	22,254	
3,000	-	-	238,024	-	17,245	286,628	
11,658	-	-	-	-	-	11,658	
-	20,702	-	238,167	-	-	258,869	
-	-	-	-	-	1,345	21,207	
11,658	20,702	-	238,167	-	1,345	291,734	
(8,658)	20,702	-	(143)	-	15,900	36,298	
-	-	12,500	-	-	-	12,500	
(8,658)	(20,702)	12,500	(143)	-	15,900	7,394	
10,740	20,702	50,000	43,901	24,539	81,959	423,331	
\$ 2,082	\$ -	\$ 62,500	\$ 43,758	\$ 24,539	\$ 97,859	\$ 430,725	

CLARKE COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2010

	Flexible Spending	Health Insurance	Total
Assets			
Cash and cash equivalents	\$ 9,915	\$ 100,219	\$ 110,134
Accrued interest receivable	-	3	3
Total assets	9,915	100,222	110,137
Liabilities			
Accounts payable	-	70,520	70,520
Net Assets			
Unrestricted	\$ 9,915	\$ 29,702	\$ 39,617

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2010

	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	\$ 790,595	\$ 790,595
Charges to employees and others	23,838	157,289	181,127
Total operating revenues	23,838	947,884	971,722
Operating expenses:			
Insurance premiums	-	1,021,658	1,021,658
Flexible spending claims	25,664	-	25,664
Administrative fees	1,614	-	1,614
Total operating expenses	27,278	1,021,658	1,048,936
Operating loss	(3,440)	(73,774)	(77,214)
Non-operating revenues:			
Interest on investments	-	132	132
Net loss	(3,440)	(73,642)	(77,082)
Net assets beginning of year	13,355	103,344	116,699
Net assets end of year	\$ 9,915	\$ 29,702	\$ 39,617

See accompanying independent auditor's report.

CLARKE COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2010

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 790,595	\$ 790,595
Cash received from employees and others	23,838	157,289	181,127
Cash payments to suppliers for services	<u>(27,278)</u>	<u>(951,138)</u>	<u>(978,416)</u>
Net cash used by operating activities	<u>(3,440)</u>	<u>(3,254)</u>	<u>(6,694)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>145</u>	<u>145</u>
Net decrease in cash and cash equivalents	(3,440)	(3,109)	(6,549)
Cash and cash equivalents beginning of year	<u>13,355</u>	<u>103,328</u>	<u>116,683</u>
Cash and cash equivalents end of year	<u>\$ 9,915</u>	<u>\$ 100,219</u>	<u>\$ 110,134</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (3,440)	\$ (73,774)	\$ (77,214)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Increase in accounts payable	<u>-</u>	<u>70,520</u>	<u>70,520</u>
Net cash used by operating activities	<u>\$ (3,440)</u>	<u>\$ (3,254)</u>	<u>\$ (6,694)</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

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

	County Offices		Agricultural	County
	County Recorder	County Sheriff	Extension Education	Assessor
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	1,411	\$ 73,570
Other County officials	6,306	32,611	-	-
Receivables:				
Property tax:				
Delinquent	-	-	1,118	2,584
Succeeding year	-	-	90,000	220,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	14,332
Total assets	<u>\$ 6,306</u>	<u>\$ 32,611</u>	<u>\$ 92,529</u>	<u>\$ 310,486</u>
LIABILITIES				
Accounts payable	\$ 6,161	\$ 18,288	\$ -	\$ 101
Salaries and benefits payable	-	-	-	3,130
Due to other governments	145	-	92,529	299,619
Trusts payable	-	14,323	-	-
Compensated absences	-	-	-	7,636
Total liabilities	<u>\$ 6,306</u>	<u>\$ 32,611</u>	<u>\$ 92,529</u>	<u>\$ 310,486</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 68,680	\$ 3,302	\$ 40,274	\$ 2,293	\$ 12,344	\$ 16,720	\$ 14
-	-	-	-	-	-	-
55,311	2,623	43,925	959	-	13,245	11
4,549,000	211,000	3,828,000	133,000	-	1,025,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,672,991</u>	<u>\$ 216,925</u>	<u>\$ 3,912,199</u>	<u>\$ 136,252</u>	<u>\$ 12,344</u>	<u>\$ 1,054,965</u>	<u>\$ 1,025</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,672,991	216,925	3,912,199	136,252	12,344	1,054,965	1,025
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,672,991</u>	<u>\$ 216,925</u>	<u>\$ 3,912,199</u>	<u>\$ 136,252</u>	<u>\$ 12,344</u>	<u>\$ 1,054,965</u>	<u>\$ 1,025</u>

CLARKE COUNTY

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

	<u>Auto License and Use Tax</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>Emergency Management</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 163,774	\$ 110,334	\$ 22,461	\$ 1,936
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	12,758
Prepaid expenses	-	-	-	-
	<hr/>			
Total assets	<u>\$ 163,774</u>	<u>\$ 110,334</u>	<u>\$ 22,461</u>	<u>\$ 14,694</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	1,069
Due to other governments	163,774	-	-	12,086
Trusts payable	-	110,334	22,461	-
Compensated absences	-	-	-	1,539
	<hr/>			
Total liabilities	<u>\$ 163,774</u>	<u>\$ 110,334</u>	<u>\$ 22,461</u>	<u>\$ 14,694</u>

See accompanying independent auditor's report.

	County Recorder's Electronic <u>Transaction Fee</u>	Homemakers Health <u>Payroll</u>	<u>Total</u>
\$	482	\$ (55,487)	\$ 462,108
	-	-	38,917
	-	-	119,776
	-	-	10,057,000
	606	1,640	2,246
	-	-	12,758
	-	-	14,332
	<hr/>		
\$	<u>1,088</u>	<u>\$ (53,847)</u>	<u>\$ 10,707,137</u>
\$	-	\$ -	\$ 24,550
	-	-	4,199
	1,088	(53,847)	10,522,095
	-	-	147,118
	-	-	9,175
	<hr/>		
\$	<u>1,088</u>	<u>\$ (53,847)</u>	<u>\$ 10,707,137</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2010

	County Offices		Agricultural	County
	County	County	Extension	County
	Recorder	Sheriff	Education	Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,331	\$ 62,440	\$ 93,467	\$ 266,665
Additions:				
Property and other County tax	-	-	89,806	219,802
State tax credits	-	-	3,656	8,447
Office fees and collections	132,238	316,876	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	193,460	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	2,914
Total additions	132,238	510,336	93,462	231,163
Deductions:				
Agency remittances:				
To other funds	64,622	346,721	-	-
To other governments	71,641	713	94,400	187,342
Trusts paid out	-	192,731	-	-
Total deductions	136,263	540,165	94,400	187,342
Balances end of year	\$ 6,306	\$ 32,611	\$ 92,529	\$ 310,486

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 4,556,464	\$ 217,786	\$ 3,352,752	\$ 134,153	\$ 1,639	\$ 1,112,261	\$ 1,028
4,551,010	211,168	3,786,355	134,537	-	1,024,543	904
177,590	8,528	84,651	5,742	-	43,063	37
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	19,035	-	-
-	-	-	-	-	-	-
<u>4,728,600</u>	<u>219,696</u>	<u>3,871,006</u>	<u>140,279</u>	<u>19,035</u>	<u>1,067,606</u>	<u>941</u>
-	-	-	-	-	-	-
4,612,073	220,557	3,311,559	138,180	8,330	1,124,902	944
-	-	-	-	-	-	-
<u>4,612,073</u>	<u>220,557</u>	<u>3,311,559</u>	<u>138,180</u>	<u>8,330</u>	<u>1,124,902</u>	<u>944</u>
\$ <u><u>4,672,991</u></u>	\$ <u><u>216,925</u></u>	\$ <u><u>3,912,199</u></u>	\$ <u><u>136,252</u></u>	\$ <u><u>12,344</u></u>	\$ <u><u>1,054,965</u></u>	\$ <u><u>1,025</u></u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2010

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 145,858	\$ 90,597	\$ 7,829	\$ 9,258
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,042,110	-	-	-
Trusts	-	126,906	152,021	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	77,992
Total additions	<u>2,042,110</u>	<u>126,906</u>	<u>152,021</u>	<u>77,992</u>
Deductions:				
Agency remittances:				
To other funds	89,660	-	-	-
To other governments	1,934,534	-	-	72,556
Trusts paid out	-	107,169	137,389	-
Total deductions	<u>2,024,194</u>	<u>107,169</u>	<u>137,389</u>	<u>72,556</u>
Balances end of year	<u>\$ 163,774</u>	<u>\$ 110,334</u>	<u>\$ 22,461</u>	<u>\$ 14,694</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Total</u>
\$ <u>286</u>	\$ <u>8,736</u>	\$ <u>10,071,550</u>
-	-	10,018,125
-	-	331,714
4,950	-	454,064
-	-	2,042,110
-	-	472,387
-	-	19,035
-	160,284	241,190
<u>4,950</u>	<u>160,284</u>	<u>13,578,625</u>
-	-	501,003
4,148	222,867	12,004,746
-	-	437,289
<u>4,148</u>	<u>222,867</u>	<u>12,943,038</u>
\$ <u><u>1,088</u></u>	\$ <u><u>(53,847)</u></u>	\$ <u><u>10,707,137</u></u>

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Property and other County tax	\$ 3,764,427	\$ 3,459,732	\$ 3,560,557	\$ 4,197,991
Interest and penalty on property tax	56,151	48,568	40,112	36,111
Intergovernmental	3,299,875	4,379,483	3,798,207	3,345,660
Licenses and permits	10,160	10,980	10,650	9,235
Charges for service	312,757	267,554	260,905	262,821
Use of money and property	41,009	69,711	143,553	285,982
Miscellaneous	440,911	274,302	369,071	254,497
Total	\$ 7,925,290	\$ 8,510,330	\$ 8,183,055	\$ 8,392,297
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,741,935	\$ 1,557,140	\$ 1,440,885	\$ 1,457,547
Physical health and social services	1,055,582	1,006,047	1,005,010	919,485
Mental health	938,643	1,021,859	1,140,658	1,032,628
County environment and education	255,954	276,902	261,894	250,582
Roads and transportation	2,482,289	3,480,704	2,967,938	2,224,277
Government services to residents	360,455	350,826	334,031	304,375
Administration	815,736	756,184	762,990	697,713
Debt service	272,849	836,251	3,004,237	528,691
Capital projects	63,952	908,928	938,234	383,320
Total	\$ 7,987,395	\$ 10,194,841	\$ 11,855,877	\$ 7,798,618

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	3,728,172	\$	3,843,161
	37,986		45,088
	3,031,600		3,133,909
	8,890		11,835
	268,264		229,834
	192,814		115,778
	323,628		307,346
	<u>7,591,354</u>		<u>7,686,951</u>
\$	1,369,187	\$	1,308,070
	897,918		847,740
	1,021,097		891,323
	248,329		230,743
	2,149,188		2,452,539
	388,646		312,804
	729,359		671,734
	543,682		688,377
	123,988		744,897
	<u>7,471,394</u>		<u>8,148,227</u>

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

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke 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 23, 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 Clarke County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke 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, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 noted no material weaknesses in internal controls over financial reporting during the course of our audit.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10, I-B-10, and I-C-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Clarke 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.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Clarke 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 Clarke County and other parties to whom Clarke 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 Clarke County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 23, 2011

CLARKE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2010

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties

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

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Recorder
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Ag Extension, Sheriff

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

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-10 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor is currently evaluating the disbursement transactions and documenting each review on the applicable disbursement records. Two individuals in most instances are now jointly involved in the check preparation, signing, and mailing process.

County Recorder – We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-10 Disbursement Support – We noted that one out of forty disbursements tested did not have full support documentation for credit card charges on the County's credit card. No invoice, receipt, or other proof of purchase was available at the time the County made the payment.

Recommendation – The County should require employees to provide invoices, receipts or other proof of purchases for all charges on the County credit card. The County should seek reimbursement from any employee who fails to provide adequate support documentation.

Response – We will require the proper documentation for all future credit card charges.

Conclusion – Response accepted.

I-C-10 Canine Drug Dog Account – Canine Drug Dog revenues, including donations, are accumulated in a separate checking account in the County Sheriff's office and have been used to directly pay for Canine Drug Dog expenses. These revenues and expenditures are not included in the County's budget or financial statements and have not been approved by the Board of Supervisors.

Recommendation – This activity should be included in the County's annual budget and financial statements as a Special Revenue fund. All revenues should be deposited with the County Treasurer. All expenditures should go through the County Auditor's office and be approved by the Board of Supervisors.

Response – We will determine the proper procedure to account for these funds.

Conclusion – Response acknowledged. However, we feel the procedures set forth in our recommendation should be followed to properly account for these funds.

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the debt service function. Disbursements did not exceed any departmental appropriations.

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

Response – We will amend the budget when required in the future before the budget is exceeded.

Conclusion – Response accepted.

II-B-10 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

II-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.

II-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

II-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

II-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).

II-I-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.

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2010

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

- II-J-10 Debt Service Payments – We noted that the payments of principal and interest for the County’s promissory note and capital lease purchase agreements were made through the roads and transportation function rather than the debt service function.
- Recommendation – All payments on long-term debt such as promissory notes and capital lease purchase agreements should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.
- Response – We will properly make all debt service payments through the debt service function in the future.
- Conclusion – Response accepted.
- II-K-10 Credit Card Policy – We noted that the County has credit cards issued in the County’s name but has no adopted policy or guidelines to control the usage of these credit cards.
- Recommendation – The County should adopt a formal credit card policy defining guidelines as to usage, maximum limits, support documentation, and custody of the credit cards.
- Response – We will adopt a credit card policy to address these items.
- Conclusion – Response accepted.
- II-L-10 Homemakers Health Payroll – The County has entered into an agreement with Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care is to reimburse the County for the payroll expenses, which are recorded in an Agency Fund of the County. At June 30, 2010, Home Care owed the County \$55,487 for payroll expenses.
- Recommendation – The County should work with Home Care to develop a payment plan to collect what it is owed.
- Response – We are aware of this situation and have already merged Home Care into the County’s Public Health department to help control costs. We will work on a plan to eliminate the deficit from this fund.
- Conclusion – Response accepted.