

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

JUNE 30, 2010

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LUCAS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Davis	Board of Supervisors	Jan. 2011
Dan Kozak	Board of Supervisors	Jan. 2013
Dennis Smith	Board of Supervisors	Jan. 2013
Julie Masters	County Auditor	Jan. 2013
Phyllis Baker	County Treasurer	Jan. 2011
Treva White	County Recorder	Jan. 2011
Jim Baker	County Sheriff	Jan. 2013
Paul Goldsmith	County Attorney	Jan. 2011
Tim McGee	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas 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 Lucas 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 Lucas 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 22, 2011 on our consideration of Lucas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 45 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 Lucas 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 22, 2011

Basic Financial Statements

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,283,227
Receivables:	
Property tax:	
Delinquent	20,975
Succeeding year	3,117,000
Interest and penalty on property tax	60,865
Accounts	23,328
Accrued interest	3,035
Due from other governments	504,834
Contract receivable (note 4)	10,632
Inventories	149,697
Investment in law enforcement center project (note 7)	1,265,670
Capital assets, net of accumulated depreciation (note 5)	<u>8,709,402</u>
 Total assets	 <u>17,148,665</u>
Liabilities	
Accounts payable	126,329
Salaries and benefits payable	52,253
Due to other governments (note 6)	222,232
Accrued interest payable	26,371
Deferred revenue:	
Succeeding year property tax	3,117,000
Long-term liabilities (notes 7 and 8):	
Portion due or payable within one year:	
General obligation notes	37,000
Bank loan payable	116,136
Compensated absences	175,147
Portion due or payable after one year:	
General obligation notes	74,000
Bank loan payable	1,149,534
Net OPEB liability	<u>13,000</u>
 Total liabilities	 <u>5,109,002</u>

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 8,598,402
Restricted for:	
Supplemental levy purposes	130,389
Cemetery levy	2,162
Mental health purposes	297,152
Rural services	52,698
Secondary roads	1,914,036
Debt service	7,105
Capital projects	3,871
Other special revenue purposes	539,887
Unrestricted	<u>493,961</u>
Total net assets	<u><u>\$ 12,039,663</u></u>

See notes to financial statements.

LUCAS 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, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 986,667	\$ 124,028	\$ 49,483	\$ -	(813,156)
Physical health and social services	719,719	8,161	315,603	-	(395,955)
Mental health	923,649	5,798	487,476	-	(430,375)
County environment and education	210,380	27,450	42,647	-	(140,283)
Roads and transportation	2,681,137	121,110	1,696,143	1,357,388	493,504
Government services to residents	256,945	145,141	-	-	(111,804)
Administration	893,152	36,210	38,517	-	(818,425)
Interest on long-term debt	26,807	-	-	-	(26,807)
Total	\$ 6,698,456	\$ 467,898	\$ 2,629,869	\$ 1,357,388	(2,243,301)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,017,134
Debt service					41,340
Penalty and interest on property tax					44,102
State tax credits					161,591
Local option sales and services tax					321,237
Payments in lieu of taxes					4,379
Unrestricted investment earnings					29,053
Miscellaneous					29,298
Total general revenues					3,648,134
Change in net assets					1,404,833
Net assets beginning of year					10,634,830
Net assets end of year					\$ 12,039,663

See notes to financial statements.

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LUCAS COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 621,401	\$ 448,272	\$ 67,108	\$ 1,535,527
Receivables:				
Property tax:				
Delinquent	15,956	3,638	1,019	-
Succeeding year	1,871,000	417,000	794,000	-
Interest and penalty on property tax	60,865	-	-	-
Accounts	8,493	501	13,945	266
Accrued interest	3,012	-	-	-
Due from other governments	38,876	9,668	-	397,163
Contract receivable (note 4)	-	-	-	10,632
Inventories	-	-	-	149,697
Total assets	<u>\$ 2,619,603</u>	<u>\$ 879,079</u>	<u>\$ 876,072</u>	<u>\$ 2,093,285</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 526,284	\$ 3,198,592
362	20,975
35,000	3,117,000
-	60,865
123	23,328
23	3,035
59,127	504,834
-	10,632
-	149,697
<u>\$ 620,919</u>	<u>\$ 7,088,958</u>

LUCAS COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 57,574	\$ 22,090	\$ 97	\$ 40,283
Salaries and benefits payable	20,794	213	10,201	21,045
Due to other governments (note 6)	81,893	137,555	384	-
Deferred revenue:				
Succeeding year property tax	1,871,000	417,000	794,000	-
Other	76,821	3,638	1,019	10,632
Total liabilities	2,108,082	580,496	805,701	71,960
Fund balances:				
Reserved for:				
Inventories	-	-	-	149,697
Supplemental levy purposes	116,201	-	15,317	-
Cemetery levy	2,162	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	393,158	-	-	-
Special revenue funds	-	298,583	55,054	1,871,628
Capital projects fund	-	-	-	-
Total fund balances	511,521	298,583	70,371	2,021,325
Total liabilities and fund balances	\$ 2,619,603	\$ 879,079	\$ 876,072	\$ 2,093,285

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 6,285	\$ 126,329
-	52,253
2,400	222,232
35,000	3,117,000
362	92,472
<u>44,047</u>	<u>3,610,286</u>
-	149,697
-	131,518
-	2,162
8,078	8,078
-	393,158
564,923	2,790,188
3,871	3,871
<u>576,872</u>	<u>3,478,672</u>
<u>\$ 620,919</u>	<u>\$ 7,088,958</u>

LUCAS COUNTY

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

Total fund balances of governmental funds	\$ 3,478,672
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 \$13,063,559 and the accumulated depreciation is \$4,354,157.	8,709,402
Investment in law enforcement center project represents an investment in a future capital asset. This amount is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.	1,265,670
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	92,472
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	84,635
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.	(26,371)
Long-term liabilities, including notes payable, loans payable, compensated absences payable, 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>(1,564,817)</u>
Net assets of governmental activities	<u>\$ 12,039,663</u>

See notes to financial statements.

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LUCAS 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	\$ 1,819,015	\$ 414,691	\$ 778,911	\$ -
Interest and penalty on property tax	31,019	-	-	-
Intergovernmental	533,815	510,674	38,703	2,767,196
Licenses and permits	275	-	-	740
Charges for service	194,760	5,798	2,502	-
Use of money and property	28,945	-	-	-
Miscellaneous	51,667	-	13,843	409,739
Total revenues	<u>2,659,496</u>	<u>931,163</u>	<u>833,959</u>	<u>3,177,675</u>
Expenditures:				
Operating:				
Public safety and legal services	852,950	-	96,290	-
Physical health and social services	689,084	-	27,000	-
Mental health	-	915,782	-	-
County environment and education	122,316	-	40,820	-
Roads and transportation	-	-	185,497	2,139,855
Government services to residents	235,263	-	2,080	-
Administration	882,474	-	44,063	-
Debt service	126	-	-	-
Capital projects	-	-	616	1,285,618
Total expenditures	<u>2,782,213</u>	<u>915,782</u>	<u>396,366</u>	<u>3,425,473</u>
Excess (deficiency) of revenues over (under) expenditures	(122,717)	15,381	437,593	(247,798)
Other financing sources (uses):				
Sale of capital assets	-	9,400	-	-
Interfund transfers in (note 3)	-	-	-	523,960
Interfund transfers out (note 3)	(33,374)	-	(490,586)	-
Total other financing sources (uses)	<u>(33,374)</u>	<u>9,400</u>	<u>(490,586)</u>	<u>523,960</u>
Net change in fund balances	(156,091)	24,781	(52,993)	276,162
Fund balances beginning of year	<u>667,612</u>	<u>273,802</u>	<u>123,364</u>	<u>1,745,163</u>
Fund balances end of year	<u>\$ 511,521</u>	<u>\$ 298,583</u>	<u>\$ 70,371</u>	<u>\$ 2,021,325</u>

See notes to financial statements.

	<u>Nonmajor</u>	<u>Total</u>
\$	362,505	\$ 3,375,122
	-	31,019
	36,066	3,886,454
	-	1,015
	28,835	231,895
	12,297	41,242
	46,654	521,903
	<u>486,357</u>	<u>8,088,650</u>
	290,247	1,239,487
	-	716,084
	-	915,782
	6,230	169,366
	-	2,325,352
	2,755	240,098
	25,190	951,727
	47,774	47,900
	113,210	1,399,444
	<u>485,406</u>	<u>8,005,240</u>
	951	83,410
	-	9,400
	285,246	809,206
	<u>(285,246)</u>	<u>(809,206)</u>
	-	9,400
	951	92,810
	<u>575,921</u>	<u>3,385,862</u>
\$	<u><u>576,872</u></u>	<u><u>\$ 3,478,672</u></u>

LUCAS 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 \$ 92,810

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:

	\$	1,533,642	
Expenditures for capital assets		1,533,642	
Depreciation expense		<u>(503,956)</u>	1,029,686

In the Statement of Activities, the loss on the disposition of capital assets
is reported, whereas the governmental funds report the proceeds from the
disposition as an increase in financial resources. (15,000)

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:

	4,589		
Property tax	4,589		
Other	<u>10,050</u>		14,639

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. 253,157

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:

	(22,188)		
Compensated absences	(22,188)		
Net OPEB liability	(13,000)		
Interest on long-term debt	<u>(19,906)</u>		(55,094)

The Internal Service Fund is used by management to charge the costs of
the partial self funding of the County's health insurance benefit plan to
individual funds. The change in net assets of the Internal Service Fund is
reported with governmental activities. 84,635

Change in net assets of governmental activities \$ 1,404,833

See notes to financial statements.

LUCAS COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>84,635</u>
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	\$ <u><u>84,635</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds	\$ 244,325
Charges to employees and others	<u>36,242</u>
Total operating revenues	<u>280,567</u>
Operating expenses:	
Medical claims	21,166
Insurance premiums	170,439
Administrative fees	3,308
Miscellaneous	<u>1,019</u>
Total operating expenses	<u>195,932</u>
Operating income	84,635
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ 84,635</u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 244,325
Cash received from employees and others	36,242
Cash payments to suppliers for services	<u>(195,932)</u>
Net cash provided by operating activities	<u>84,635</u>
 Cash and cash equivalents beginning of year	 <u>-</u>
 Cash and cash equivalents end of year	 <u>\$ 84,635</u>

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	504,971
Other County officials		32,794
Receivables:		
Property tax:		
Delinquent		74,261
Succeeding year		6,863,000
Accounts		9,491
Accrued interest		50
Due from other governments		6,606
Prepaid expenses		<u>7,500</u>
 Total assets	 \$	 <u><u>7,498,673</u></u>

Liabilities

Accounts payable	\$	6,971
Salaries and benefits payable		242
Due to other governments (note 6)		7,429,382
Trusts payable		48,337
Compensated absences		<u>13,741</u>
 Total liabilities	 \$	 <u><u>7,498,673</u></u>

See notes to financial statements.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies

Lucas 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, Lucas 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. Lucas 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: Lucas County Assessor's Conference Board and Lucas County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southeast Iowa Care Management, Chariton Valley Rural Economic Development Inc., Ten Fifteen Regional Transit Agency, Southeast Iowa Drug Task Force, Lucas County Law Enforcement Center, Lucas County Solid Waste Management Commission, South Central Iowa Solid Waste Agency, and ADLM Counties Environmental Public Health Agency.

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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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.

LUCAS 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)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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.

LUCAS 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)

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.

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.

Asset Class	Amount
Intangibles	\$ 100,000
Infrastructure	65,000
Land, buildings and improvements	30,000
Equipment and vehicles	10,000

LUCAS 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)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Infrastructure	4-50
Equipment and vehicles	5-20

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.

LUCAS 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)

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, Mental Health, 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 \$2,947,300.

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 did not exceed the amount budgeted in any County function. However, disbursements in the township trustees department exceeded the amount appropriated prior to the amendment of the appropriations.

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.

At June 30, 2010, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,286,119 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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	General	\$ 33,374
	Special Revenue: Rural Services	490,586
Capital Projects	Local Option Sales and Services Tax	<u>285,246</u>
		<u>\$ 809,206</u>

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

Note 4. Contact Receivable – Secondary Roads

As of June 30, 2010, the County has a long-term interest-free contract receivable from the City of Russell for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Russell</u>
2011	\$ 3,033
2012	3,033
2013	3,033
2014	<u>1,533</u>
	<u>\$ 10,632</u>

LUCAS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 5. 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	\$ 712,457	\$ 80,956	\$ 15,000	\$ 778,413
Construction in progress	180,723	1,302,477	1,431,671	51,529
Total capital assets not being depreciated	<u>893,180</u>	<u>1,383,433</u>	<u>1,446,671</u>	<u>829,942</u>
Capital assets being depreciated:				
Buildings	676,414	-	-	676,414
Machinery and equipment	3,863,674	150,209	69,000	3,944,883
Infrastructure	6,180,649	1,431,671	-	7,612,320
Total capital assets being depreciated	<u>10,720,737</u>	<u>1,581,880</u>	<u>69,000</u>	<u>12,233,617</u>
Less accumulated depreciation for:				
Buildings	189,378	16,372	-	205,750
Machinery and equipment	2,395,649	214,684	69,000	2,541,333
Infrastructure	1,334,174	272,900	-	1,607,074
Total accumulated depreciation	<u>3,919,201</u>	<u>503,956</u>	<u>69,000</u>	<u>4,354,157</u>
Total capital assets being depreciated, net	<u>6,801,536</u>	<u>1,077,924</u>	<u>-</u>	<u>7,879,460</u>
Governmental activities capital assets, net	<u>\$ 7,694,716</u>	<u>\$ 2,461,357</u>	<u>\$ 1,446,671</u>	<u>\$ 8,709,402</u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	27,305
Mental health		4,100
County environment and education		7,634
Roads and transportation		436,826
Government services to residents		16,124
Administration		<u>11,967</u>
Total depreciation expense - governmental activities	\$	<u><u>503,956</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 81,893
Special Revenue:		
Mental Health		137,555
Rural Services		384
Education		<u>2,400</u>
Total for governmental funds		\$ <u><u>222,232</u></u>
Agency:		
County Assessor	Collections	\$ 261,219
Schools		4,087,461
Community Colleges		234,627
Corporations		1,677,437
County Hospital		668,457
Auto License and Use Tax		161,855
All Other		<u>338,326</u>
Total for agency funds		\$ <u><u>7,429,382</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 7. Long-Term Liabilities

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

	General Obligation County Building Equipment Notes	General Obligation Local Option Sales Tax Bond Anticipation Project Note	Capital Lease Purchase Agreement	Bank Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 151,999	\$ 212,158	\$ -	\$ -	\$ 152,959	\$ -	\$ 517,116
Increases	-	-	1,254,409	1,265,670	175,147	13,000	2,708,226
Decreases	40,999	212,158	1,254,409	-	152,959	-	1,660,525
Balance end of year	<u>\$ 111,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,265,670</u>	<u>\$ 175,147</u>	<u>\$ 13,000</u>	<u>\$ 1,564,817</u>
Due within one year	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,136</u>	<u>\$ 175,147</u>	<u>\$ -</u>	<u>\$ 328,283</u>

General Obligation County Building Equipment Notes Payable

Details of the County's June 30, 2010, general obligation County building equipment note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.80 %	\$ 37,000	\$ 4,885	\$ 41,885
2012	4.80	37,000	3,109	40,109
2013	4.80	37,000	1,338	38,338
		<u>\$ 111,000</u>	<u>\$ 9,332</u>	<u>\$ 120,332</u>

Bank Loan Payable

In November 2009, the County entered into a capital lease purchase agreement with a private financing company for \$1,254,409 for a law enforcement center project. The project consists of the construction and lease purchase of a law enforcement center. In January 2010, the County entered into a bank loan for \$1,265,670 and had the proceeds paid directly to the financing company to essentially refund the capital lease purchase agreement. Interest of \$13,528 was also paid on the capital lease. The capital lease purchase agreement was then assigned to the bank and was used as collateral for the bank loan. The bank loan proceeds will be used by the financing company to pay the costs of construction for the new law enforcement center. The bank loan includes interest at 4.75%.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 7. Long-Term Liabilities (continued)

Bank Loan Payable (continued)

At June 30, 2010, the County had an investment in law enforcement center project of \$1,265,670 that will be recognized as a capital asset when the building is constructed and transferred to the County.

Details of the County's June 30, 2010 bank loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 116,136	\$ 59,954	\$ 176,090
2012	121,487	54,603	176,090
2013	127,124	48,966	176,090
2014	133,296	42,794	176,090
2015	139,628	36,462	176,090
2016	146,260	29,830	176,090
2017	153,145	22,945	176,090
2018	160,482	15,608	176,090
2019	168,112	7,986	176,098
	<u>\$ 1,265,670</u>	<u>\$ 319,148</u>	<u>\$ 1,584,818</u>

Note 8. Other Postemployment Benefits (OPEB)

Lucas 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 71 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree 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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

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	\$ 23,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>23,000</u>
Contributions made	<u>10,000</u>
Increase in net OPEB obligation	13,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 13,000</u></u>

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

For the year ended June 30, 2010, the County contributed \$10,000 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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 23,000	43.5%	\$ 13,000

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 \$179,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$179,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,036,000 and the ratio of the UAAL to covered payroll was 8.8%. 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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

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 using scale AA.

Projected claim costs of the medical plan are \$592 per month for retirees age 55 to 59 and \$729 per month for retirees age 60 to 64. 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 9. 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 \$164,783, \$156,291 and \$135,220, respectively, equal to the required contributions for each year.

Note 10. Risk Management

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 11. Employee Health Insurance Plan

The Internal Service, Lucas County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan started on January 1, 2010 and is funded by both employee and County contributions. The plan is administered through a service agreement with Auxiant, which is subject to automatic renewal provisions. The County assumes liability for the difference between the \$750 employee deductible and the deductible on the policy purchased by the County (\$2,500 for the HMO plan or \$5,000 for the PPO plan) for the health plan.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and weekly payments of claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$244,325.

Note 12. Construction Commitment

The County has entered into a contract totaling \$33,500 for a steam boiler replacement. As of June 30, 2010, costs of \$18,000 have been incurred against the contract. The balance remaining at June 30, 2010 of \$15,500 will be paid as work on the project progresses.

Note 13. Contingent Liability

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency is to provide economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,719,000. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2010, expects to hold deposits of \$2,776,665 for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2010.

Note 14. Subsequent Events

In September 2010, the County borrowed an additional \$60,961 on the bank loan to construct a storage building for the new law enforcement center.

In November 2010, the County borrowed an additional \$206,330 on the bank loan for additional expenses on the law enforcement center project.

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Required Supplementary Information

LUCAS 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	\$ 3,376,928	\$ 3,324,655	\$ 3,324,655	\$ 52,273
Interest and penalty on property tax	31,019	8,900	8,900	22,119
Intergovernmental	3,764,667	4,564,014	4,512,434	(747,767)
Licenses and permits	1,015	450	450	565
Charges for service	242,445	163,060	180,847	61,598
Use of money and property	39,695	97,776	97,776	(58,081)
Miscellaneous	510,432	391,144	655,391	(144,959)
Total receipts	<u>7,966,201</u>	<u>8,549,999</u>	<u>8,780,453</u>	<u>(814,252)</u>
DISBURSEMENTS:				
Public safety and legal services	932,610	1,010,768	1,052,200	119,590
Physical health and social services	645,033	788,514	840,790	195,757
Mental health	945,087	1,225,943	1,218,551	273,464
County environment and education	170,794	268,267	269,179	98,385
Roads and transportation	2,405,915	2,701,908	2,701,908	295,993
Government services to residents	239,313	295,449	295,949	56,636
Administration	931,752	912,894	1,263,841	332,089
Debt service	47,900	43,788	47,900	-
Capital projects	1,727,144	2,353,315	2,476,000	748,856
Total disbursements	<u>8,045,548</u>	<u>9,600,846</u>	<u>10,166,318</u>	<u>2,120,770</u>
Excess (deficiency) of receipts over (under) disbursements	(79,347)	(1,050,847)	(1,385,865)	1,306,518
Other financing sources, net	<u>9,400</u>	<u>500</u>	<u>500</u>	<u>8,900</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(69,947)	(1,050,347)	(1,385,365)	1,315,418
Balance beginning of year	<u>3,268,539</u>	<u>1,876,247</u>	<u>3,268,538</u>	<u>1</u>
Balance end of year	<u>\$ 3,198,592</u>	<u>\$ 825,900</u>	<u>\$ 1,883,173</u>	<u>\$ 1,315,419</u>

See accompanying independent auditor's report.

LUCAS 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	\$ 7,966,201	\$ 122,449	\$ 8,088,650
Expenditures	8,045,548	(40,308)	8,005,240
Net	(79,347)	162,757	83,410
Other financing sources, net	9,400	-	9,400
Beginning fund balances	3,268,539	117,323	3,385,862
Ending fund balances	<u>\$ 3,198,592</u>	<u>\$ 280,080</u>	<u>\$ 3,478,672</u>

See accompanying independent auditor's report.

LUCAS 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 \$565,472. 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 the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2010, disbursements did not exceed the amount budgeted in any County function. However, disbursements in the township trustees department exceeded the amount appropriated prior to the amendment of the appropriations.

LUCAS 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	\$ -	\$ 179	\$ 179	0.0%	\$ 2,036	8.8%

See note 8 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

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

	Special Revenue				
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement	Construction Donation
Assets					
Cash and pooled investments	\$ 23,491	\$ 58,386	\$ 43,897	\$ 55,138	\$ 7,596
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	101	-	-	-	-
Accrued interest	2	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ <u>23,594</u>	\$ <u>58,386</u>	\$ <u>43,897</u>	\$ <u>55,138</u>	\$ <u>7,596</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 1,767	\$ -	\$ -	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	1,767	-	-	-
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	23,594	56,619	43,897	55,138	7,596
Total fund balances	<u>23,594</u>	<u>56,619</u>	<u>43,897</u>	<u>55,138</u>	<u>7,596</u>
Total liabilities and fund balances	\$ <u>23,594</u>	\$ <u>58,386</u>	\$ <u>43,897</u>	\$ <u>55,138</u>	\$ <u>7,596</u>

See accompanying independent auditor's report.

<u>Landfill Equipment</u>	<u>Community Development Block Grant</u>	<u>Local Option Sales and Services Tax</u>	<u>Education Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 33,354	\$ (155)	\$ 250,235	\$ 42,414	\$ 8,057	\$ 3,871	\$ 526,284
-	-	-	-	362	-	362
-	-	-	-	35,000	-	35,000
22	-	-	-	-	-	123
-	-	-	-	21	-	23
-	192	56,094	2,841	-	-	59,127
<u>\$ 33,376</u>	<u>\$ 37</u>	<u>\$ 306,329</u>	<u>\$ 45,255</u>	<u>\$ 43,440</u>	<u>\$ 3,871</u>	<u>\$ 620,919</u>
\$ -	\$ 37	\$ -	\$ 4,481	\$ -	\$ -	\$ 6,285
-	-	-	2,400	-	-	2,400
-	-	-	-	35,000	-	35,000
-	-	-	-	362	-	362
-	37	-	6,881	35,362	-	44,047
-	-	-	-	8,078	-	8,078
33,376	-	306,329	38,374	-	3,871	568,794
<u>33,376</u>	<u>-</u>	<u>306,329</u>	<u>38,374</u>	<u>8,078</u>	<u>3,871</u>	<u>576,872</u>
<u>\$ 33,376</u>	<u>\$ 37</u>	<u>\$ 306,329</u>	<u>\$ 45,255</u>	<u>\$ 43,440</u>	<u>\$ 3,871</u>	<u>\$ 620,919</u>

LUCAS 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	Resource Enhancement and Protection	Conservation Land Acquisition	Prisoner Reimbursement	Construction Donation
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	14,362	5,979	-	-
Charges for service	1,379	-	-	14,698	-
Use of money and property	25	103	12,139	-	9
Miscellaneous	-	1,793	20,000	-	-
Total revenues	<u>1,404</u>	<u>16,258</u>	<u>38,118</u>	<u>14,698</u>	<u>9</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	6,648	-
County environment and education	-	6,193	-	-	-
Government services to residents Administration	2,755	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	34,694	78,516	-	-
Total expenditures	<u>2,755</u>	<u>40,887</u>	<u>78,516</u>	<u>6,648</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(1,351)	(24,629)	(40,398)	8,050	9
Other financing sources (uses):					
Interfund transfers in	-	-	-	-	-
Interfund transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,351)	(24,629)	(40,398)	8,050	9
Fund balances beginning of year	<u>24,945</u>	<u>81,248</u>	<u>84,295</u>	<u>47,088</u>	<u>7,587</u>
Fund balances end of year	<u>\$ 23,594</u>	<u>\$ 56,619</u>	<u>\$ 43,897</u>	<u>\$ 55,138</u>	<u>\$ 7,596</u>

See accompanying independent auditor's report.

Landfill Equipment	Community Development Block Grant	Local Option Sales and Services Tax	Education Fund	Debt Service	Capital Projects	Total
\$ -	\$ -	\$ 321,237	\$ -	\$ 41,268	\$ -	\$ 362,505
-	488	-	12,928	2,309	-	36,066
12,758	-	-	-	-	-	28,835
-	-	-	-	21	-	12,297
-	-	-	24,861	-	-	46,654
12,758	488	321,237	37,789	43,598	-	486,357
-	-	-	-	-	283,599	290,247
-	37	-	-	-	-	6,230
-	-	-	-	-	-	2,755
-	-	-	25,190	-	-	25,190
-	-	-	-	47,774	-	47,774
-	-	-	-	-	-	113,210
-	37	-	25,190	47,774	283,599	485,406
12,758	451	321,237	12,599	(4,176)	(283,599)	951
-	-	-	-	-	285,246	285,246
-	-	(285,246)	-	-	-	(285,246)
-	-	(285,246)	-	-	285,246	-
12,758	451	35,991	12,599	(4,176)	1,647	951
20,618	(451)	270,338	25,775	12,254	2,224	575,921
\$ 33,376	\$ -	\$ 306,329	\$ 38,374	\$ 8,078	\$ 3,871	\$ 576,872

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

	County Offices			Agricultural
	County Recorder	County Sheriff	Public Health	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	839
Other County officials	4,589	19,437	8,768	-
Receivables:				
Property tax:				
Delinquent	-	-	-	443
Succeeding year	-	-	-	51,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ <u>4,589</u>	\$ <u>19,437</u>	\$ <u>8,768</u>	\$ <u>52,282</u>
LIABILITIES				
Accounts payable	\$ 4,450	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	139	-	-	52,282
Trusts payable	-	19,437	8,768	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>4,589</u>	\$ <u>19,437</u>	\$ <u>8,768</u>	\$ <u>52,282</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 105,423	\$ 62,033	\$ 3,648	\$ 30,193	\$ 2,792	\$ 10,772	\$ 40
-	-	-	-	-	-	-
1,272	32,428	1,979	32,244	204	5,685	6
165,000	3,993,000	229,000	1,615,000	157,000	652,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,713	-	-	-	-	-	-
<u>\$ 275,408</u>	<u>\$ 4,087,461</u>	<u>\$ 234,627</u>	<u>\$ 1,677,437</u>	<u>\$ 159,996</u>	<u>\$ 668,457</u>	<u>\$ 1,046</u>
\$ 206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
242	-	-	-	-	-	-
261,219	4,087,461	234,627	1,677,437	159,996	668,457	1,046
-	-	-	-	-	-	-
13,741	-	-	-	-	-	-
<u>\$ 275,408</u>	<u>\$ 4,087,461</u>	<u>\$ 234,627</u>	<u>\$ 1,677,437</u>	<u>\$ 159,996</u>	<u>\$ 668,457</u>	<u>\$ 1,046</u>

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 161,855	\$ 4	\$ 105,687	\$ 1,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	9,194	-
Accrued interest	-	-	49	-
Due from other governments	-	-	6,606	-
Prepaid expenses	-	-	3,787	-
	<hr/>			
Total assets	\$ <u>161,855</u>	\$ <u>4</u>	\$ <u>125,323</u>	\$ <u>1,265</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 2,315	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	161,855	4	123,008	1,265
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	\$ <u>161,855</u>	\$ <u>4</u>	\$ <u>125,323</u>	\$ <u>1,265</u>

See accompanying independent auditor's report.

<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 17,967	\$ 2,165	\$ 288	\$ 504,971
-	-	-	32,794
-	-	-	74,261
-	-	-	6,863,000
-	-	297	9,491
-	-	1	50
-	-	-	6,606
-	-	-	7,500
<u>\$ 17,967</u>	<u>\$ 2,165</u>	<u>\$ 586</u>	<u>\$ 7,498,673</u>
\$ -	\$ -	\$ -	6,971
-	-	-	242
-	-	586	7,429,382
17,967	2,165	-	48,337
-	-	-	13,741
<u>\$ 17,967</u>	<u>\$ 2,165</u>	<u>\$ 586</u>	<u>\$ 7,498,673</u>

LUCAS COUNTY

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

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 4,835	\$ 21,413	\$ 13,488	\$ 52,502
Additions:				
Property and other County tax	-	-	-	50,561
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	2,761
Payments in lieu of taxes	-	-	-	63
Office fees and collections	123,608	77,827	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Interest	-	-	-	-
Trusts	-	94,817	7,228	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	123,608	172,644	7,228	53,385
Deductions:				
Agency remittances:				
To other funds	53,239	77,458	-	-
To other governments	70,615	372	-	53,605
Trusts paid out	-	96,790	11,948	-
Total deductions	123,854	174,620	11,948	53,605
Balances end of year	\$ 4,589	\$ 19,437	\$ 8,768	\$ 52,282

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>251,633</u>	\$ <u>3,837,791</u>	\$ <u>230,278</u>	\$ <u>1,616,685</u>	\$ <u>156,245</u>	\$ <u>670,284</u>	\$ <u>1,035</u>
164,221	3,982,156	228,515	1,608,012	156,692	650,176	749
-	-	-	-	-	-	-
7,930	203,002	12,188	98,450	7,765	35,448	41
180	4,591	282	-	427	805	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
308	-	-	-	-	-	-
<u>172,639</u>	<u>4,189,749</u>	<u>240,985</u>	<u>1,706,462</u>	<u>164,884</u>	<u>686,429</u>	<u>791</u>
-	-	-	-	-	-	-
148,864	3,940,079	236,636	1,645,710	161,133	688,256	780
-	-	-	-	-	-	-
<u>148,864</u>	<u>3,940,079</u>	<u>236,636</u>	<u>1,645,710</u>	<u>161,133</u>	<u>688,256</u>	<u>780</u>
\$ <u><u>275,408</u></u>	\$ <u><u>4,087,461</u></u>	\$ <u><u>234,627</u></u>	\$ <u><u>1,677,437</u></u>	\$ <u><u>159,996</u></u>	\$ <u><u>668,457</u></u>	\$ <u><u>1,046</u></u>

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ <u>167,665</u>	\$ <u>5</u>	\$ <u>159,186</u>	\$ <u>1,265</u>
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	66,426	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,992,968	-	-	-
Interest	-	-	738	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	67	531	18,000
Total additions	<u>1,992,968</u>	<u>67</u>	<u>67,695</u>	<u>18,000</u>
Deductions:				
Agency remittances:				
To other funds	87,520	-	-	-
To other governments	1,911,258	68	101,558	18,000
Trusts paid out	-	-	-	-
Total deductions	<u>1,998,778</u>	<u>68</u>	<u>101,558</u>	<u>18,000</u>
Balances end of year	\$ <u><u>161,855</u></u>	\$ <u><u>4</u></u>	\$ <u><u>125,323</u></u>	\$ <u><u>1,265</u></u>

See accompanying independent auditor's report.

<u>City Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 17,424	\$ -	\$ 329	\$ 7,202,063
-	-	-	-	6,841,082
-	-	-	-	66,426
-	-	-	-	367,585
-	-	-	-	6,349
-	-	-	4,522	205,957
-	-	-	-	1,992,968
-	-	-	1	739
-	19,801	196,377	-	318,223
5,913	-	-	-	5,913
-	-	-	-	18,906
<u>5,913</u>	<u>19,801</u>	<u>196,377</u>	<u>4,523</u>	<u>9,824,148</u>
-	-	-	-	218,217
5,913	-	-	4,266	8,987,113
-	19,258	194,212	-	322,208
<u>5,913</u>	<u>19,258</u>	<u>194,212</u>	<u>4,266</u>	<u>9,527,538</u>
\$ -	\$ 17,967	\$ 2,165	\$ 586	\$ 7,498,673

LUCAS 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	\$ 3,375,122	\$ 3,255,547	\$ 2,763,511	\$ 2,595,200
Interest and penalty on property tax	31,019	36,370	31,048	30,623
Intergovernmental	3,886,454	4,109,558	3,480,243	2,705,620
Licenses and permits	1,015	608	1,120	330
Charges for service	231,895	237,798	260,909	243,732
Use of money and property	41,242	70,810	135,694	174,241
Miscellaneous	521,903	238,354	217,186	211,031
Total	\$ 8,088,650	\$ 7,949,045	\$ 6,889,711	\$ 5,960,777
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,239,487	\$ 1,045,814	\$ 718,933	\$ 799,077
Physical health and social services	716,084	623,021	542,992	485,966
Mental health	915,782	1,032,917	994,969	953,109
County environment and education	169,366	297,233	179,324	172,466
Roads and transportation	2,325,352	2,891,079	2,218,959	2,314,629
Government services to residents	240,098	265,769	228,184	225,430
Administration	951,727	857,430	850,818	770,593
Non-program	-	-	-	173,148
Debt service	47,900	100,914	105,140	112,440
Capital projects	1,399,444	740,509	860,288	231,211
Total	\$ 8,005,240	\$ 7,854,686	\$ 6,699,607	\$ 6,238,069

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 2,570,552	\$ 2,237,851
32,950	29,974
3,013,759	2,825,372
570	530
243,642	241,211
148,062	87,911
292,174	178,076

<u>\$ 6,301,709</u>	<u>\$ 5,600,925</u>
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\$ 899,540	\$ 850,361
468,710	475,374
797,690	716,400
191,722	205,009
2,640,561	2,243,217
296,268	207,029
716,880	703,562
-	-
61,363	46,133
945,452	597,525

<u>\$ 7,018,186</u>	<u>\$ 6,044,610</u>
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LUCAS COUNTY

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 10	\$ <u>4,846</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO59(31)	538,813
Highway Planning and Construction	20.205	BROS CO59(32)	<u>411,349</u>
			<u>950,162</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	09-406 Task 99	3,029
State and Community Highway Safety	20.600	10-406 Task 101	<u>1,987</u>
			<u>5,016</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	S397A090016A	<u>17,944</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 10	<u>2,492</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 10	<u>14</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 10	<u>1,270</u>
Foster Care - Title IV-E	93.658	FY 10	<u>2,596</u>
Adoption Assistance	93.659	FY 10	<u>648</u>
Children's Health Insurance Program	93.767	FY 10	<u>29</u>
Medical Assistance Program	93.778	FY 10	<u>5,478</u>
Social Services Block Grant	93.667	FY 10	<u>2,574</u>
Social Services Block Grant	93.667	FY 10	<u>52,345</u>
			<u>54,919</u>

LUCAS COUNTY

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

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT59	\$ <u>33,804</u>
Immunization Cluster Programs:			
Immunization Grants	93.268	5889I450	4,533
Immunization Grants	93.268	5880I450	52
ARRA - Immunization, Recovery Act	93.712	5880I450	<u>130</u>
			<u>4,715</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5880NB17	<u>2,520</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	DR-1705-0020	<u>6,060</u>
Total			\$ <u><u>1,092,513</u></u>

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

See accompanying independent auditor's report.

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

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas 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 22, 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 Lucas 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 Lucas County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lucas County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of 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 consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a material weakness.

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 II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucas 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 a material instance of non-compliance described as item II-A-10 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Lucas 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.

Lucas County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Lucas 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 Lucas County and other parties to whom Lucas 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 Lucas 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 22, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Lucas County:

Compliance

We have audited the compliance of Lucas County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2010. Lucas County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lucas County's management. Our responsibility is to express an opinion on Lucas County's compliance based on our audit.

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

In our opinion, Lucas County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

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

Oskaloosa, Iowa
March 22, 2011

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lucas County did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

II-A-10 Board Approval – We noted that the Board had not officially approved by Board resolution the \$1,265,670 bank loan.

Recommendation – All contracts entered into by the County should be approved by the Board.

Response – We considered the bank loan as part of the same arrangement as the capital lease purchase agreement, which was approved by the Board. We will make sure that all contracts are approved by the Board in the future.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

II-B-10 Segregation of Duties – 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) Incoming mail should be opened by an employee who is not authorized to make entries to the accounting records.	Ag Extension, Sheriff
(2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts.	Ag Extension, Sheriff , Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	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.

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

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

INTERNAL CONTROL DEFICIENCIES (continued):

II-B-10 Segregation of Duties (continued)

Responses –

County Ag Extension – Our new fiscal policy addresses periodic checks in those areas where segregation of duties is not possible because of limited personnel.

County Sheriff – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

County Treasurer – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

Conclusion – Responses accepted.

II-C-10 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County's financial statements.

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

Conclusion – Response accepted.

II-D-10 Apportionment of Tax Credits – We noted that the homestead tax credit was not apportioned correctly and this error was not initially caught by the County's controls. As a result, two cities did not receive any homestead tax credit and other taxing districts received too much. This misapportionment was corrected by September 2010.

Recommendation – The County should review the apportionment of tax credits to ensure the accuracy of the tax credit receipts entered and the calculations.

Response – We will review the apportionment of tax credits in the future to prevent any further misapportionments.

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amount budgeted in any County function. However, disbursements in the township trustees department exceeded the amount appropriated prior to the amendment of the appropriations.

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

Response – We will amend the appropriations when required in the future.

Conclusion – Response accepted.

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

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

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

- IV-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.

- IV-F-10 Board Minutes – We noted three interfund transfers that were not approved in the Board minutes.

Recommendation – All interfund transfers should be approved by the Board as required by Chapter 331.432(4) of the Code of Iowa.

Response – These transfers were for law enforcement center expenses paid by the Capital Projects Fund from local option sales and services tax funding. We will pay some of these expenses directly from the Special Revenue, Local Option Sales and Services Tax Fund without making a transfer to the Capital Projects Fund in the future. We will also make sure that the Board approves all interfund transfers in the future. The Board has since retroactively approved these transfers.

Conclusion – Response accepted.

- IV-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.

- IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

LUCAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-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.

IV-J-10 Transfers – Chapter 331.429 of the Code of Iowa outlines the maximum allowable transfers of funds from the Special Revenue, Rural Services Fund to the Special Revenue, Secondary Roads Fund. During the year ended June 30, 2010, the County exceeded the maximum allowable transfer from the Rural Services Fund by \$1,778.

Recommendation – The County should be aware of the maximum allowable transfers and monitor them during the course of the year to ensure compliance with the Code of Iowa.

Response – This was a miscalculation on our part for this year. We will be more careful in the future to ensure the maximum transfer is not exceeded.

Conclusion – Response accepted.

IV-K-10 Debt Service Payments – We noted that payments of principal and interest for the County's bond anticipation note and capital lease purchase agreement were made through the public safety and legal services function rather than the debt service function.

Recommendation – All payments on long-term debt such as 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 expenditure totals.

Response – We will properly make all payments on long-term debt through the debt service function in the future.

Conclusion – Response accepted.