



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Andy Nielsen

FOR RELEASE March 31, 2011

515/281-5834

Auditor of State David A. Vaudt today released an audit report on Union County, Iowa.

The County had local tax revenue of \$15,990,537 for the year ended June 30, 2010, which included \$692,630 in tax credits from the state. The County forwarded \$10,781,361 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,209,176 of the local tax revenue to finance County operations, a 12.1 percent increase over the prior year. Other revenues included charges for service of \$891,886, operating grants, contributions and restricted interest of \$3,583,936, capital grants, contributions and restricted interest of \$453,598, local option sales tax of \$495,017, unrestricted investment earnings of \$179,594 and other general revenues of \$285,337.

Expenses for County operations totaled \$10,248,350, a 13.8 percent increase over the prior year. Expenses included \$4,442,466 for roads and transportation, \$1,409,910 for public safety and legal services and \$1,164,485 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at: <http://auditor.iowa.gov/reports/1010-0088-B00F.pdf>.

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**UNION COUNTY**

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

**JUNE 30, 2010**

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**Union County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael J. King	Board of Supervisors	Jan 2011
Tom McCann	Board of Supervisors	Jan 2011
Ron Riley	Board of Supervisors	Jan 2011
Robert G. Brown	Board of Supervisors	Jan 2013
Robert Jansen	Board of Supervisors	Jan 2013
Sandy Hysell	County Auditor	Jan 2013
Kelly Busch	County Treasurer	Jan 2011
Paula White	County Recorder	Jan 2011
Rick L. Piel	County Sheriff	Jan 2013
Timothy R. Kenyon	County Attorney	Jan 2011
Steven Gene Haner	County Assessor	Jan 2016

**Union County**



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Independent Auditor's Report

To the Officials of Union County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2011 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 48 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 14, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Union County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010, along with comparative data for the year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 1.6%, or approximately \$171,000, from fiscal year 2009 to fiscal year 2010. Property and other county tax increased approximately \$540,000 from fiscal year 2009. Operating grants, contributions and restricted interest decreased approximately \$1,383,000, charges for service increased approximately \$279,000 and capital grants, contributions and restricted interest increased approximately \$454,000.
- Program expenses of the County's governmental activities increased 13.1%, or approximately \$1,185,000. Mental health expenses decreased approximately \$589,000, roads and transportation expenses increased approximately \$1,417,000 and non-program expenses increased approximately \$173,000.
- The County's net assets increased approximately \$850,000 from June 30, 2009 to June 30, 2010.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30,	
	2010	2009 (Restated)
Current and other assets	\$ 16,180,056	11,526,030
Capital assets	9,287,197	8,109,200
Total assets	<u>25,467,253</u>	<u>19,635,230</u>
Long-term liabilities	9,779,550	5,699,805
Other liabilities	7,169,098	6,267,014
Total liabilities	<u>16,948,648</u>	<u>11,966,819</u>
Net assets:		
Invested in capital assets, net of related debt	5,650,905	4,520,672
Restricted	2,894,558	3,336,108
Unrestricted	(26,858)	(188,369)
Total net assets	<u>\$ 8,518,605</u>	<u>7,668,411</u>

Net assets of Union County's governmental activities increased 11.1%, or \$850,194, during the year. A portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$(188,369) at June 30, 2009 to \$(26,858) at the end of this year, an increase of 86%, primarily due to an increase in property tax.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009 (Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 891,886	612,956
Operating grants, contributions and restricted interest	3,583,936	4,967,027
Capital grants, contributions and restricted interest	453,598	-
General revenues:		
Property and other county tax	4,686,688	4,147,014
Tax increment financing	310,547	293,218
Penalty and interest on property tax	108,755	41,347
State tax credits	211,941	206,674
Local option sales tax	495,017	474,595
Grants and contributions not restricted to specific purposes	37,751	-
Unrestricted investment earnings	179,594	144,362
Gain on disposition of capital assets	82,464	-
Other general revenues	56,367	39,990
Total revenues	<u>11,098,544</u>	<u>10,927,183</u>
Program expenses:		
Public safety and legal services	1,409,910	1,253,424
Physical health and social services	506,989	477,970
Mental health	1,164,485	1,753,031
County environment and education	634,725	563,284
Roads and transportation	4,442,466	3,025,773
Governmental services to residents	423,071	381,525
Administration	1,034,719	1,319,852
Interest on long-term debt	458,510	288,748
Non-program	173,475	-
Total expenses	<u>10,248,350</u>	<u>9,063,607</u>
Increase in net assets	850,194	1,863,576
Net assets beginning of year, as restated	<u>7,668,411</u>	<u>5,804,835</u>
Net assets end of year	<u>\$ 8,518,605</u>	<u>7,668,411</u>

Overall, revenues increased approximately \$171,000, or 1.6%, during the year. The increase is primarily due to an increase in the property tax levy of 12% and a decrease in operating grants, contributions and restricted interest.

The cost of all governmental activities this year was approximately \$10.2 million compared to approximately \$9.1 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$5.3 million because some of the cost was paid by those directly benefited from the programs (\$892,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,038,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2010 from approximately \$5,580,000 to approximately \$4,930,000, principally due to receiving more in disaster assistance in fiscal year 2009. The county paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Union County completed the year, its governmental funds reported a combined fund balance of \$8,702,360 compared to the restated balance of \$5,024,388 at June 30, 2009, an increase of \$3,677,972. The increase in fund balance is primarily attributable to the issuance of \$4,755,000 of general obligation bonds during the year.

- The General Fund, the operating fund for Union County, ended fiscal year 2010 with a balance of \$678,857, an increase of \$28,241 over the fiscal year 2009 ending balance of \$650,616. Revenues and expenditures each increased approximately \$200,000 due to the County passing through Community Development Block Grant (CDBG) funds to the City of Creston. Expenditures also increased due to additional litigation costs in fiscal year 2010.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year-end increased \$327,438, or 110%, from a deficit fund balance of \$298,272 to a positive fund balance of \$29,166. State support decreased approximately \$192,000 and expenditures decreased approximately \$583,000 from the prior year.
- The Rural Services Fund ending fund balance increased \$5,139, or 1.7%, from the prior year to \$314,385.
- The Secondary Roads Fund ended fiscal year 2010 with a \$1,732,744 fund balance, a decrease of \$558,858 compared to the prior year ending fund balance of \$2,291,602. The decrease in fund balance is primarily due to an increase in roads and transportation expenditures for various road repair projects partially funded with disaster assistance grants and snow plowing expenditures.
- The Debt Service Fund balance increased from \$1,487,173 at the end of fiscal year 2009 to \$1,593,322 at the end of fiscal year 2010. Property tax revenue increased approximately \$492,300, or 99%, due to an increase in the debt service levy from \$1.29782 per \$1,000 of taxable valuation in fiscal year 2009 to \$2.48575 per \$1,000 of taxable valuation in fiscal year 2010.
- The Capital Projects Fund had a significant increase in fund balance, from \$40,903 at the end of fiscal year 2009 to \$3,900,123 at the end of fiscal year 2010, as a result of the issuance of \$4,755,000 of new debt, primarily for road and bridge projects.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Union County amended its budget twice. The amendments were made in January 2010 and May 2010 and resulted in an increase in budgeted disbursements, primarily due to increases for legal fees, debt service payments and the CDBG pass through grant for the City of Creston.

The County's receipts were \$1,274,233 greater than budgeted, a variance of 13%. The most significant variance resulted from property and other county tax and intergovernmental receipts being greater than expected.

Total disbursements were \$3,968,206 less than the amended budget. Actual disbursements for capital projects were \$4,165,275 less than budgeted. This was primarily due to cost cutting measures instituted countywide and not undertaking certain capital projects during the year.

The County exceeded the amount budgeted for the roads and transportation and debt service functions for the year ended June 30, 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Union County had approximately \$9.3 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,178,000, or 14.5%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2010	2009
Land	\$ 253,619	253,619
Buildings	634,099	654,773
Improvements other than buildings	31,684	34,044
Equipment and vehicles	1,467,001	1,145,553
Infrastructure	6,900,794	6,021,211
Total	\$ 9,287,197	8,109,200
This year's major additions included:		
Secondary roads department equipment		\$ 423,892
Secondary roads department infrastructure		1,184,021
Total		\$ 1,607,913

Union County had depreciation expense of \$616,015 in fiscal year 2010 and total accumulated depreciation of \$4,717,369 at June 30, 2010. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2010 Union County had approximately \$9,477,000 in general obligation bonds, notes and other debt outstanding, compared to approximately \$5,587,000 at June 30, 2009, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation bonds	\$ 7,289	3,283
General obligation notes	610	865
General obligation solid waste disposal notes	1,345	1,400
Rural development loan	7	10
Capital lease purchase agreements	226	29
Total	\$ 9,477	5,587

In fiscal year 2010, the County entered into a capital lease purchase agreement for \$226,000. Principal paid on the general obligation bonds and notes totaled \$1,058,877 during the year ended June 30, 2010. Principal payments made in fiscal year 2010 on the capital lease purchase agreements totaled \$28,949.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$19.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Union County's elected officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the county now stands at 5.7% versus 7.2% a year ago. This compares with the State's unemployment rate of 6.3% and the national rate of 9.4%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$14.6 million, an increase of 5% over the fiscal year 2010 budget. Property tax (benefiting from the fiscal year 2011 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected in this increase. The County has taken an aggressive move in bonding for many roadway construction projects and replacing bridges. The debt service for these bonds and an increase in health care costs represent the largest budget increases.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2011.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Union County Auditor's Office, 300 N. Pine, Creston, Iowa 50801.

**Union County**

## **Basic Financial Statements**

Union County  
Statement of Net Assets  
June 30, 2010

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 8,010,963
Receivables:	
Property tax:	
Delinquent	21,943
Succeeding year	6,120,000
Interest and penalty on property tax	54,721
Loan	1,345,000
Accounts	6,064
Accrued interest	61
Due from other governments	415,681
Inventories	205,623
Capital assets (net of accumulated depreciation)	9,287,197
	<b>25,467,253</b>
<b>Liabilities</b>	
Accounts payable	482,480
Salaries and benefits payable	33,602
Accrued interest	35,657
Due to other governments	459,172
Deferred revenue:	
Succeeding year property tax	6,120,000
Other	38,187
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	48,408
General obligation bonds	783,877
General obligation notes	200,000
General obligation solid waste disposal notes	55,000
Rural development loan	3,425
Compensated absences	85,383
Portion due or payable after one year:	
Capital lease purchase agreements	177,592
General obligation bonds	6,505,474
General obligation notes	410,000
General obligation solid waste disposal notes	1,290,000
Rural development loan	3,450
Compensated absences	43,990
Net OPEB liability	172,951
	<b>16,948,648</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,650,905
Restricted for:	
Supplemental levy purposes	233,471
Mental health purposes	30,634
Secondary roads purposes	1,859,376
Debt service	214,957
Capital projects	94,191
Other purposes	461,929
Unrestricted	(26,858)
	<b>\$ 8,518,605</b>

See notes to financial statements.

Union County  
Statement of Activities  
Year ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,409,910	97,539	39,589	-	(1,272,782)
Physical health and social services	506,989	39,799	133,447	-	(333,743)
Mental health	1,164,485	74,652	677,292	-	(412,541)
County environment and education	634,725	153,656	318,855	-	(162,214)
Roads and transportation	4,442,466	123,478	2,406,647	453,598	(1,458,743)
Governmental services to residents	423,071	203,217	-	-	(219,854)
Administration	1,034,719	45,239	-	-	(989,480)
Interest on long-term debt	458,510	-	-	-	(458,510)
Non-program	173,475	154,306	8,106	-	(11,063)
<b>Total</b>	<b>\$ 10,248,350</b>	<b>891,886</b>	<b>3,583,936</b>	<b>453,598</b>	<b>(5,318,930)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,697,573
Debt service					989,115
Tax increment financing					310,547
Penalty and interest on property tax					108,755
State tax credits					211,941
Local option sales tax					495,017
Grants and contributions not restricted to specific purposes					37,751
Unrestricted investment earnings					179,594
Gain on disposition of capital assets					82,464
Miscellaneous					56,367
<b>Total general revenues</b>					<b>6,169,124</b>
Change in net assets					850,194
Net assets beginning of year, as restated					7,668,411
Net assets end of year					<b>\$ 8,518,605</b>

See notes to financial statements.

Union County  
Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 861,904	490,540	311,463	1,535,885
Receivables:				
Property tax:				
Delinquent	4,652	1,468	5,363	-
Succeeding year	2,343,000	732,000	755,000	-
Interest and penalty on property tax	54,721	-	-	-
Loan	-	-	-	-
Accounts	3,115	-	-	-
Due from other governments	30,772	-	25,591	352,718
Inventories	-	-	-	205,623
<b>Total assets</b>	<b>\$ 3,298,164</b>	<b>1,224,008</b>	<b>1,097,417</b>	<b>2,094,226</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 155,415	47,706	19,847	102,887
Salaries and benefits payable	16,015	-	2,822	14,765
Due to other governments	45,504	413,668	-	-
Deferred revenue:				
Succeeding year property tax	2,343,000	732,000	755,000	-
Other	59,373	1,468	5,363	243,830
Total liabilities	2,619,307	1,194,842	783,032	361,482
Fund balances:				
Reserved for:				
Supplemental levy purposes	231,700	-	-	-
Debt service	-	-	-	-
Long-term loan receivable	-	-	-	-
Unreserved, reported in:				
General fund	447,157	-	-	-
Special revenue funds	-	29,166	314,385	1,732,744
Capital projects fund	-	-	-	-
Total fund balances	678,857	29,166	314,385	1,732,744
<b>Total liabilities and fund balances</b>	<b>\$ 3,298,164</b>	<b>1,224,008</b>	<b>1,097,417</b>	<b>2,094,226</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
248,322	3,905,205	449,661	7,802,980
2,292	-	8,168	21,943
1,622,000	-	668,000	6,120,000
-	-	-	54,721
1,345,000	-	-	1,345,000
-	-	-	3,115
-	-	6,600	415,681
-	-	-	205,623
<b>3,217,614</b>	<b>3,905,205</b>	<b>1,132,429</b>	<b>15,969,063</b>
-	5,080	2,500	333,435
-	-	-	33,602
-	-	-	459,172
1,622,000	-	668,000	6,120,000
2,292	-	8,168	320,494
<b>1,624,292</b>	<b>5,080</b>	<b>678,668</b>	<b>7,266,703</b>
-	-	-	231,700
248,322	-	-	248,322
1,345,000	-	-	1,345,000
-	-	-	447,157
-	-	453,761	2,530,056
-	3,900,125	-	3,900,125
<b>1,593,322</b>	<b>3,900,125</b>	<b>453,761</b>	<b>8,702,360</b>
<b>3,217,614</b>	<b>3,905,205</b>	<b>1,132,429</b>	<b>15,969,063</b>

**Union County**

Union County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2010

<b>Total governmental fund balances (page 19)</b>	\$ 8,702,360
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$14,004,566 and the accumulated depreciation is \$4,717,369.	9,287,197
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	282,307
The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	61,948
Long-term liabilities, including capital lease purchase agreements payable, bonds and notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(9,815,207)
<b>Net assets of governmental activities (page 16)</b>	<b>\$ 8,518,605</b>

See notes to financial statements.

Union County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,261,025	712,510	768,252	-
Local option sales tax	92,220	-	151,049	251,748
Tax increment financing	-	-	-	-
Interest and penalty on property tax	51,457	-	-	-
Intergovernmental	482,429	710,255	57,721	2,203,142
Licenses and permits	1,773	-	17,000	720
Charges for service	433,412	-	450	651
Use of money and property	63,405	-	-	-
Miscellaneous	44,073	74,652	125	117,070
Total revenues	<u>3,429,794</u>	<u>1,497,417</u>	<u>994,597</u>	<u>2,573,331</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,149,804	-	140,519	-
Physical health and social services	351,298	-	111,432	-
Mental health	-	1,169,979	-	-
County environment and education	505,118	-	86,896	-
Roads and transportation	-	-	71,616	3,932,440
Governmental services to residents	395,520	-	-	-
Administration	937,510	-	-	-
Capital projects	-	-	-	66,522
Debt service	3,425	-	-	-
Total expenditures	<u>3,342,675</u>	<u>1,169,979</u>	<u>410,463</u>	<u>3,998,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,119</u>	<u>327,438</u>	<u>584,134</u>	<u>(1,425,631)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	2,900
Operating transfers in	-	-	-	637,873
Operating transfers out	(58,878)	-	(578,995)	-
Capital lease purchase agreement	-	-	-	226,000
General obligation bonds issued	-	-	-	-
Total other financing sources (uses)	<u>(58,878)</u>	<u>-</u>	<u>(578,995)</u>	<u>866,773</u>
Net change in fund balances	28,241	327,438	5,139	(558,858)
Fund balances beginning of year, as restated	<u>650,616</u>	<u>(298,272)</u>	<u>309,246</u>	<u>2,291,602</u>
Fund balances end of year	<u>\$ 678,857</u>	<u>29,166</u>	<u>314,385</u>	<u>1,732,744</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
989,115	-	-	4,730,902
-	-	-	495,017
-	-	310,547	310,547
-	-	-	51,457
112,251	8,106	55,309	3,629,213
-	-	-	19,493
-	-	2,480	436,993
61,717	61,379	41,100	227,601
-	-	47,781	283,701
<u>1,163,083</u>	<u>69,485</u>	<u>457,217</u>	<u>10,184,924</u>
-	-	30,000	1,320,323
-	-	16,454	479,184
-	-	-	1,169,979
-	-	23,629	615,643
-	-	-	4,004,056
-	-	7,361	402,881
-	-	-	937,510
-	961,307	4,592	1,032,421
<u>1,056,934</u>	<u>17,609</u>	<u>450,887</u>	<u>1,528,855</u>
<u>1,056,934</u>	<u>978,916</u>	<u>532,923</u>	<u>11,490,852</u>
<u>106,149</u>	<u>(909,431)</u>	<u>(75,706)</u>	<u>(1,305,928)</u>
-	-	-	2,900
-	13,653	-	651,526
-	-	(13,653)	(651,526)
-	-	-	226,000
-	4,755,000	-	4,755,000
<u>-</u>	<u>4,768,653</u>	<u>(13,653)</u>	<u>4,983,900</u>
106,149	3,859,222	(89,359)	3,677,972
<u>1,487,173</u>	<u>40,903</u>	<u>543,120</u>	<u>5,024,388</u>
<u>1,593,322</u>	<u>3,900,125</u>	<u>453,761</u>	<u>8,702,360</u>

Union County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 23)** \$ 3,677,972

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

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

Expenditures for capital assets	\$ 1,260,850	
Capital assets contributed by the Iowa Department of Transportation	453,598	
Depreciation expense	(616,015)	1,098,433

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 79,564

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

Property tax	4,652	
Other	216,025	220,677

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

Issued	(4,981,000)	
Repaid	1,091,251	(3,889,749)

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

Compensated absences	(17,045)	
Other postemployment benefits	(172,951)	
Interest on long-term debt	(20,906)	(210,902)

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individuals funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (125,801)

**Change in net assets of governmental activities (page 17)** \$ 850,194

See notes to financial statements.

Union County  
Statement of Net Assets  
Proprietary Fund

June 30, 2010

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash	\$ 57,983
Investments	150,000
Receivables:	
Accounts	2,949
Accrued interest	61
<b>Total assets</b>	210,993
<b>Liabilities</b>	
Accounts payable	149,045
<b>Net Assets</b>	
Unrestricted	\$ 61,948

See notes to financial statements.

**Exhibit H**

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Union County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2010

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 912,463
Reimbursements from employees and retirees		89,688
Insurance reimbursements		<u>31,234</u>
Total operating revenues		1,033,385
Operating expenses:		
Medical claims	\$ 886,596	
Insurance premiums	193,016	
Administrative fee	70,596	
Miscellaneous	<u>11,555</u>	<u>1,161,763</u>
Operating loss		(128,378)
Non-operating revenues:		
Interest income		<u>2,577</u>
Net loss		(125,801)
Net assets beginning of year		<u>187,749</u>
Net assets end of year		<u><u>\$ 61,948</u></u>

See notes to financial statements.

Union County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2010

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 909,514
Cash received from employees and retirees	89,688
Cash received from insurance reimbursements	31,234
Cash paid to suppliers for services	(1,112,718)
Net cash used by operating activities	(82,282)
Cash flows from investing activities:	
Interest on investments	3,140
Proceeds from maturity of investments	123,078
Purchase of investment	(150,000)
Net cash used by investing activities	(23,782)
Net decrease in cash and cash equivalents	(106,064)
Cash and cash equivalents beginning of year	164,047
Cash and cash equivalents end of year	\$ 57,983
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (128,378)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	49,045
Increase in accounts receivable	(2,949)
Net cash used by operating activities	\$ (82,282)

See notes to financial statements.

Union County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

Cash and pooled investments:

County Treasurer	\$ 1,996,291
Other County officials	36,677

Receivables:

Property tax:

Delinquent	68,644
Succeeding year	10,392,000

Accounts	1,239
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Special assessments	5,105
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Due from other governments	14,533
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<b>Total assets</b>	<u>12,514,489</u>
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**Liabilities**

Accounts payable	62,379
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Salaries and benefits payable	3,526
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Due to other governments	12,386,949
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Trusts payable	54,811
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Compensated absences	6,824
----------------------	-------

<b>Total liabilities</b>	<u>12,514,489</u>
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**Net assets**

\$ -
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See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Basis of Presentation

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for capital lease purchase agreements 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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 year or soon enough thereafter to pay liabilities of the current year. 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 debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are

both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have 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 in the Special Revenue Funds 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, intangibles and infrastructure assets acquired after July 1, 2003 (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 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 repair 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
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment and vehicles	2 - 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

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

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 58,878
	Special Revenue:	
	Rural Services	578,995
Capital Projects	Special Revenue:	
	Resource Enhancement and Protection	13,653
Total		\$ 651,526

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Capital assets being depreciated:				
Buildings	1,944,787	26,952		1,971,739
Improvements other than buildings	48,202	-		48,202
Equipment and vehicles	3,453,888	588,940	352,458	3,690,370
Infrastructure, road network	6,856,080	1,184,556	-	8,040,636
Total capital assets being depreciated	12,302,957	1,800,448	352,458	13,750,947
Less accumulated depreciation for:				
Buildings	1,290,014	47,626	-	1,337,640
Improvements other than buildings	14,158	2,360	-	16,518
Equipment and vehicles	2,308,335	261,056	346,022	2,223,369
Infrastructure, road network	834,869	304,973	-	1,139,842
Total accumulated depreciation	4,447,376	616,015	346,022	4,717,369
Total capital assets being depreciated, net	7,855,581	1,184,433	6,436	9,033,578
Governmental activities capital assets, net	\$ 8,109,200	1,800,448	704,916	9,287,197

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 19,298
Physical health and social services	26,613
County environment and education	26,514
Roads and transportation	503,724
Governmental services to residents	11,000
Administration	28,866
Total depreciation expense - governmental activities	\$ 616,015

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 45,504
Special Revenue:		
Mental Health	Services	413,668
Total for governmental funds		<u>\$ 459,172</u>
Agency:		
County Assessor	Collections	\$ 332,661
County Hospital		1,121,800
Schools		6,308,418
Community Colleges		274,220
Corporations		2,391,808
Townships		160,704
Auto License and Use Tax		260,854
Prairie Solid Waste		1,275,715
All other		260,769
Total for agency funds		<u>\$ 12,386,949</u>

**(6) Long-Term Liabilities**

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

	Capital Lease Purchase Agreements	General Obligation Bonds	General Obligation Notes	General Obligation Solid Waste Disposal Notes	Rural Development Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 28,949	3,283,228	865,000	1,400,000	10,300	112,328	-	5,699,805
Increases	226,000	4,755,000	-	-	-	145,102	172,951	5,299,053
Decreases	28,949	748,877	255,000	55,000	3,425	128,057	-	1,219,308
Balance end of year	<u>\$ 226,000</u>	<u>7,289,351</u>	<u>610,000</u>	<u>1,345,000</u>	<u>6,875</u>	<u>129,373</u>	<u>172,951</u>	<u>9,779,550</u>
Due within one year	\$ 48,408	783,877	200,000	55,000	3,425	85,383	-	1,176,093

Capital Lease Purchase Agreements

On June 20, 2005, the County entered into a capital lease purchase agreement to lease a motor grader with a historical cost of \$165,000. The final principal payment of \$28,949 plus interest of \$1,406 was paid in July 2009.

On April 26, 2010, the County entered into a capital lease purchase agreement to lease a motor grader with a historical cost of \$226,000. The following is a schedule of future minimum lease payments, including interest at 3.95% per annum, and the present value of net minimum payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Amount
2011	\$ 49,155
2012	49,155
2013	49,155
2014	49,155
2015	49,155
Total minimum lease payments	245,775
Less amount representing interest	19,775
Present value of net minimum lease payments	<u>\$ 226,000</u>

### General Obligation Bonds Payable

A summary of the County's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2004 Issued June 1, 2004				Series 2009 Issued October 16, 2009			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2011	3.40%	\$ 400,000	118,861	518,861	2.50%	\$ 175,000	203,783	378,783
2012	3.60	415,000	105,261	520,261	3.00	370,000	199,407	569,407
2013	3.75	425,000	90,321	515,321	3.50	320,000	188,308	508,308
2014	3.875	445,000	74,384	519,384	4.00	330,000	177,107	507,107
2015	3.90	460,000	57,140	517,140	4.40	285,000	163,908	448,908
2016-2020	4.00	980,000	59,200	1,039,200	4.80 - 6.00	1,550,000	601,307	2,151,307
2021-2023		-	-	-	4.15 - 6.40	1,060,000	135,067	1,195,067
Total		<u>\$ 3,125,000</u>	<u>505,167</u>	<u>3,630,167</u>		<u>\$ 4,090,000</u>	<u>1,668,887</u>	<u>5,758,887</u>

Year Ending June 30,	Series 2009B Issued July 29, 2009				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2011	1.800%	\$ 255,000	4,590	259,590	830,000	327,234	1,157,234
2012		-	-	-	785,000	304,668	1,089,668
2013		-	-	-	745,000	278,629	1,023,629
2014		-	-	-	775,000	251,491	1,026,491
2015		-	-	-	745,000	221,048	966,048
2016-2020		-	-	-	2,530,000	660,507	3,190,507
2021-2023		-	-	-	1,060,000	135,067	1,195,067
Total		<u>\$ 255,000</u>	<u>4,590</u>	<u>259,590</u>	<u>7,470,000</u>	<u>2,178,644</u>	<u>9,648,644</u>

During the year ended June 30, 2004, the County performed an advance refunding of the general obligation capital loan notes dated 1997 and 1998. The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds, is being amortized through the year 2014 using the straight line method (\$46,123 per year). The deferred amount on the refunding totaled \$180,649 at June 30, 2010.

During the year ended June 30, 2010, the County issued \$4,755,000 of general obligation bonds and retired \$748,877 of bonds payable.

General Obligation Notes Payable

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

Year Ending June 30,	Series 2007 Issued May 1, 2007			Series 2008 Issued April 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	3.75%	\$ 60,000	6,785	3.00%	\$ 140,000	13,643
2012	3.80	60,000	4,535	3.15	145,000	9,443
2013	4.00	10,000	2,255	3.25	150,000	4,875
2014	4.00	10,000	1,855		-	-
2015	4.10	10,000	1,455		-	-
2016-2017	4.15-4.20	25,000	1,675		-	-
Total		\$ 175,000	18,560		\$ 435,000	27,961

Year Ending June 30,	Total		
	Principal	Interest	Total
2011	200,000	20,428	220,428
2012	205,000	13,978	218,978
2013	160,000	7,130	167,130
2014	10,000	1,855	11,855
2015	10,000	1,455	11,455
2016-2017	25,000	1,675	26,675
Total	610,000	46,521	\$ 656,521

During the year ended June 30, 2010, the County retired \$255,000 of notes payable.

General Obligation Solid Waste Disposal Notes Payable

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on the general obligation solid waste disposal notes.

A summary of the County's June 30, 2010 general obligation solid waste disposal note indebtedness is as follows:

Year Ending June 30,	Series 2007B Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2011	4.100%	\$ 55,000	56,899	111,899
2012	4.100	60,000	54,644	114,644
2013	4.100	60,000	52,184	112,184
2014	4.100	65,000	49,724	114,724
2015	4.100	65,000	47,059	112,059
2016-2020	4.100-4.200	370,000	192,259	562,259
2021-2025	4.100-4.375	455,000	107,735	562,735
2026-2027	4.375	215,000	14,218	229,218
Total		\$ 1,345,000	574,722	1,919,722

During the year ended June 30, 2010, the County retired \$55,000 of notes payable.

#### Rural Development Loan

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

A summary of the County's June 30, 2010 rural development loan indebtedness is as follows:

Year Ending June 30,	Principal
2011	\$ 3,425
2012	3,450
Total	\$ 6,875

#### **(7) Pension and Retirement Benefits**

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

Most 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 \$172,352, \$157,161 and \$148,238, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug, dental and vision, benefits for retirees and their spouses. There are 59 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Tri-Star Benefits. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 204,648
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>204,648</u>
Contributions made	<u>(31,697)</u>
Increase in net OPEB obligation	172,951
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 172,951</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 \$31,697 to the medical plan. Plan members eligible for benefits contributed \$32,092, or 50% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 204,600	15.5%	\$ 172,951

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 \$1,260,688, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,260,688. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,205,000 and the ratio of the UAAL to covered payroll was 57.2%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% 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 FP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$623 per month for retirees less than age 65 and \$257 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by employee, retiree and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$912,463.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$149,045, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$61,948 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2009	\$ 100,000
Incurred claims (including claims incurred but not reported at June 30, 2010)	886,596
Claims paid	<u>937,551</u>
Unpaid claims at June 30, 2010	<u>\$ 149,045</u>

**(11) Jointly Governed Organization**

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2010:

Additions:

Contributions from governmental units:		
Union County	\$ 53,459	
City of Creston	<u>52,603</u>	\$ 106,062
Miscellaneous		<u>909</u>
Total additions		106,971

Deductions:

Office supplies	4,627	
Telephone	15,168	
Computer software maintenance	6,372	
Office equipment and repair	5,998	
Contractual services	20,047	
Inmate supplies	1,591	
Janitorial	5,114	
Utilities	31,131	
Insurance	1,727	
Sanitation	1,221	
Building improvements	6,521	
Miscellaneous	<u>1,755</u>	<u>101,272</u>

Net		5,699
Balance beginning of year		<u>15,853</u>
Balance end of year		<u>\$ 21,552</u>

**(12) Restatements**

Net assets for governmental activities, the fund balance for the Debt Service Fund and asset and liability balances beginning of year for the Agency Funds were restated to properly report the loan receivable from the Prairie Solid Waste Agency to the Debt Service Fund for the general obligation solid waste disposal notes.

	Governmental Activities Net Assets	Debt Service Fund Balance	Cash Balance for Budgetary Reporting	Agency Total Asset and Liability Balance
Balances June 30, 2009, as previously reported	\$ 7,635,085	53,847	3,692,810	12,758,881
Reclassify County debt service activity previously reported in Agency Fund	33,326	33,326	33,326	(33,326)
Record loan receivable in Debt Service Fund	-	1,400,000	-	-
Balances July 1, 2009, as restated	<u>\$ 7,668,411</u>	<u>1,487,173</u>	<u>3,726,136</u>	<u>12,725,555</u>

**(13) Construction Commitments**

The County has entered into contracts for \$4,652,000 for road construction work for the Green Valley Road and Iris Avenue projects. As of June 30, 2010, no cost has been incurred on these contracts. The contracts will be paid as work on these projects progress.

**(14) Subsequent Events**

In September 2010, the County issued \$3,890,000 of general obligation bonds for various road projects. The bond payments begin in June 2011 with the final payment to be made in June 2024. Interest rates on the bonds range from .08% to 3.4% per annum. The bonds will be paid from the proceeds of a debt service property tax levy.

**Union County**

**Required Supplementary Information**

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Union County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2010

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 5,544,859
Interest and penalty on property tax	51,092
Intergovernmental	4,368,879
Licenses and permits	19,493
Charges for service	452,017
Use of money and property	227,419
Miscellaneous	249,778
Total receipts	<u>10,913,537</u>
Disbursements:	
Public safety and legal services	1,294,948
Physical health and social services	453,798
Mental health	1,554,650
County environment and education	613,625
Roads and transportation	3,709,587
Governmental services to residents	390,259
Administration	925,065
Debt service	1,511,446
Capital projects	595,521
Total disbursements	<u>11,048,899</u>
Excess (deficiency) of receipts over (under) disbursements	(135,362)
Other financing sources, net	<u>4,212,206</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,076,844
Balance beginning of year, as restated	<u>3,726,136</u>
Balance end of year	<u><u>\$ 7,802,980</u></u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,293,528	5,288,935	255,924
15,025	15,025	36,067
3,599,831	3,684,129	684,750
26,535	26,535	(7,042)
378,991	403,991	48,026
108,735	183,389	44,030
37,300	37,300	212,478
9,459,945	9,639,304	1,274,233
1,316,777	1,385,277	90,329
433,052	546,552	92,754
1,560,976	1,560,976	6,326
521,615	653,771	40,146
3,297,025	3,297,025	(412,562)
450,806	451,276	61,017
911,389	967,939	42,874
810,369	1,393,493	(117,953)
4,756,096	4,760,796	4,165,275
14,058,105	15,017,105	3,968,206
(4,598,160)	(5,377,801)	5,242,439
4,436,600	5,017,916	(805,710)
(161,560)	(359,885)	4,436,729
2,913,490	2,913,490	812,646
2,751,930	2,553,605	5,249,375

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Union 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	\$ 10,913,537	(728,613)	10,184,924
Expenditures	11,048,899	441,953	11,490,852
Net	(135,362)	(1,170,566)	(1,305,928)
Other financing sources, net	4,212,206	771,694	4,983,900
Beginning fund balances, as restated	3,726,136	1,298,252	5,024,388
Ending fund balances	\$ 7,802,980	899,380	8,702,360

See accompanying independent auditor's report.

Union 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 Internal Service 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 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$959,000. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

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Union County

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

Required Supplementary Information

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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	Jul 1, 2009	-	\$ 1,261	1,261	0.00%	\$ 2,205	57.2%

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See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

Union County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Special				
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Care Facility Trust
<b>Assets</b>					
Cash and pooled investments	\$ -	71,207	27,170	25,675	115,014
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Due from other governments	6,600	-	-	-	-
<b>Total assets</b>	<b>\$ 6,600</b>	<b>71,207</b>	<b>27,170</b>	<b>25,675</b>	<b>115,014</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Unreserved	6,600	71,207	27,170	25,675	115,014
Total fund balances	6,600	71,207	27,170	25,675	115,014
<b>Total liabilities and fund balances</b>	<b>\$ 6,600</b>	<b>71,207</b>	<b>27,170</b>	<b>25,675</b>	<b>115,014</b>

See accompanying independent auditor's report.

Revenue						
Care Facility Depreciation	Commissary	Inmate Medical	COOP Urban Renewal	Water Grid	Charitable/ Educational	Total
61,496	8,457	21,695	74,370	16,112	28,465	449,661
-	-	-	8,168	-	-	8,168
-	-	-	668,000	-	-	668,000
-	-	-	-	-	-	6,600
61,496	8,457	21,695	750,538	16,112	28,465	1,132,429
2,500	-	-	-	-	-	2,500
-	-	-	668,000	-	-	668,000
-	-	-	8,168	-	-	8,168
2,500	-	-	676,168	-	-	678,668
58,996	8,457	21,695	74,370	16,112	28,465	453,761
58,996	8,457	21,695	74,370	16,112	28,465	453,761
61,496	8,457	21,695	750,538	16,112	28,465	1,132,429

Union County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2010

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Care Facility Trust
Revenues:					
Tax increment financing	\$ -	-	-	-	-
Intergovernmental	13,200	28,603	-	8,006	-
Charges for service	-	-	2,480	-	-
Use of money and property	-	682	210	331	985
Miscellaneous	-	-	-	1,225	-
Total revenues	<u>13,200</u>	<u>29,285</u>	<u>2,690</u>	<u>9,562</u>	<u>985</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	-	-
County environment and education	14,457	-	-	9,172	-
Governmental services to residents	-	-	7,361	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>14,457</u>	<u>-</u>	<u>7,361</u>	<u>9,172</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(1,257)	29,285	(4,671)	390	985
Other financing uses:					
Operating transfers out	-	(13,653)	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(1,257)	15,632	(4,671)	390	985
Fund balances beginning of year	<u>7,857</u>	<u>55,575</u>	<u>31,841</u>	<u>25,285</u>	<u>114,029</u>
Fund balances end of year	<u>\$ 6,600</u>	<u>71,207</u>	<u>27,170</u>	<u>25,675</u>	<u>115,014</u>

See accompanying independent auditor's report.

Revenue							
Care Facility Depreciation	Commissary	Inmate Medical	COOP Urban Renewal	Water Grid	Charitable/ Educational		Total
-	-	-	310,547	-	-		310,547
-	-	-	-	5,500	-		55,309
-	-	-	-	-	-		2,480
34,457	144	-	4,081	210	-		41,100
-	-	21,695	-	-	24,861		47,781
34,457	144	21,695	314,628	5,710	24,861		457,217
-	-	-	-	-	30,000		30,000
16,454	-	-	-	-	-		16,454
-	-	-	-	-	-		23,629
-	-	-	-	-	-		7,361
-	-	-	450,887	-	-		450,887
-	-	-	-	4,592	-		4,592
16,454	-	-	450,887	4,592	30,000		532,923
18,003	144	21,695	(136,259)	1,118	(5,139)		(75,706)
-	-	-	-	-	-		(13,653)
18,003	144	21,695	(136,259)	1,118	(5,139)		(89,359)
40,993	8,313	-	210,629	14,994	33,604		543,120
58,996	8,457	21,695	74,370	16,112	28,465		453,761

Union County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,630	111,310	15,978	79,727
Other County officials	36,677	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	594	1,130	5,822	29,691
Succeeding year	-	112,000	230,000	1,100,000	6,199,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 36,677</b>	<b>114,224</b>	<b>342,440</b>	<b>1,121,800</b>	<b>6,308,418</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	4,434	-	-
Salaries and benefits payable	-	-	1,739	-	-
Due to other governments	11,737	114,224	332,661	1,121,800	6,308,418
Trusts payable	24,940	-	-	-	-
Compensated absences	-	-	3,606	-	-
<b>Total liabilities</b>	<b>\$ 36,677</b>	<b>114,224</b>	<b>342,440</b>	<b>1,121,800</b>	<b>6,308,418</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
3,826	39,173	2,332	260,854	1,481,461	1,996,291
-	-	-	-	-	36,677
1,394	29,635	372	-	6	68,644
269,000	2,323,000	158,000	-	1,000	10,392,000
-	-	-	-	1,239	1,239
-	-	-	-	5,105	5,105
-	-	-	-	14,533	14,533
<u>274,220</u>	<u>2,391,808</u>	<u>160,704</u>	<u>260,854</u>	<u>1,503,344</u>	<u>12,514,489</u>
-	-	-	-	57,945	62,379
-	-	-	-	1,787	3,526
274,220	2,391,808	160,704	260,854	1,410,523	12,386,949
-	-	-	-	29,871	54,811
-	-	-	-	3,218	6,824
<u>274,220</u>	<u>2,391,808</u>	<u>160,704</u>	<u>260,854</u>	<u>1,503,344</u>	<u>12,514,489</u>

Union County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	County Schools
<b>Assets and Liabilities</b>					
Balances beginning of year, as restated	\$ 46,224	113,713	292,036	1,112,592	5,647,677
Additions:					
Property and other county tax	-	112,525	231,465	1,108,162	6,245,315
State tax credits	-	5,154	9,806	50,525	253,441
Contract law enforcement	-	-	-	-	-
E911 surcharges	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Office fees and collections	226,810	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Solid waste fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	421,910	-	-	-	-
Miscellaneous	-	-	12,674	-	-
Total additions	<u>648,720</u>	<u>117,679</u>	<u>253,945</u>	<u>1,158,687</u>	<u>6,498,756</u>
Deductions:					
Agency remittances:					
To other funds	139,671	-	-	-	-
To other governments	96,191	117,168	203,541	1,149,479	5,838,015
Trusts paid out	422,405	-	-	-	-
Total deductions	<u>658,267</u>	<u>117,168</u>	<u>203,541</u>	<u>1,149,479</u>	<u>5,838,015</u>
Balances end of year	<u>\$ 36,677</u>	<u>114,224</u>	<u>342,440</u>	<u>1,121,800</u>	<u>6,308,418</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
266,408	3,266,367	154,643	263,220	1,562,675	12,725,555
270,809	2,170,457	160,829	-	1,110	10,300,672
12,099	143,386	6,227	-	51	480,689
-	-	-	-	106,971	106,971
-	-	-	-	79,359	79,359
-	-	-	83,049	-	83,049
-	-	-	-	6,621	233,431
-	-	-	2,877,571	-	2,877,571
-	-	-	-	1,065,538	1,065,538
-	-	-	-	20,650	20,650
-	-	-	-	338,137	760,047
-	-	-	-	218,522	231,196
282,908	2,313,843	167,056	2,960,620	1,836,959	16,239,173
-	-	-	127,311	-	266,982
275,096	3,188,402	160,995	2,835,675	1,896,290	15,760,852
-	-	-	-	-	422,405
275,096	3,188,402	160,995	2,962,986	1,896,290	16,450,239
274,220	2,391,808	160,704	260,854	1,503,344	12,514,489

Union County  
Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds  
For the Last Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Property and other county tax	\$ 4,730,902	4,624,103	4,278,160	3,950,487
Local option sales tax	495,017	474,595	458,848	484,851
Tax increment financing	310,547	293,218	242,083	224,523
Interest and penalty on property tax	51,457	52,064	41,892	43,384
Intergovernmental	3,629,213	4,741,556	3,140,353	2,379,656
Licenses and permits	19,493	20,950	21,125	23,685
Charges for service	436,993	433,511	502,356	425,628
Use of money and property	227,601	100,943	135,541	182,316
Miscellaneous	283,701	120,294	77,319	111,702
<b>Total</b>	<b>\$ 10,184,924</b>	<b>10,861,234</b>	<b>8,897,677</b>	<b>7,826,232</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 1,320,323	1,220,634	1,254,085	1,220,990
Physical health and social services	479,184	450,182	417,852	283,170
Mental health	1,169,979	1,753,031	1,844,765	1,640,412
County environment and education	615,643	465,943	435,937	364,017
Roads and transportation	4,004,056	2,759,160	3,218,057	2,740,437
Governmental services to residents	402,881	359,967	399,743	383,077
Administration	937,510	815,146	926,442	945,591
Non-program	-	-	-	-
Capital projects	1,032,421	638,392	687,139	238,820
Debt service	1,528,855	808,264	644,425	519,949
<b>Total</b>	<b>\$ 11,490,852</b>	<b>9,270,719</b>	<b>9,828,445</b>	<b>8,336,463</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
3,867,327	3,440,405	4,373,383	3,290,664	3,269,726	3,513,719
384,843	-	-	-	-	-
59,614	59,189	-	-	-	-
49,311	68,137	48,989	42,956	44,220	37,846
2,431,270	3,071,775	3,157,926	3,084,980	4,081,816	2,959,489
18,653	18,918	14,649	15,362	12,496	10,358
420,238	424,541	381,389	332,637	320,143	274,294
152,784	107,413	97,546	158,313	233,068	280,432
107,292	58,245	76,148	105,261	159,316	120,375
7,491,332	7,248,623	8,150,030	7,030,173	8,120,785	7,196,513
1,171,759	1,117,032	1,166,689	1,021,263	1,039,061	1,007,939
345,669	297,102	270,334	315,862	275,879	296,802
1,573,478	1,389,755	1,362,450	1,278,649	1,518,334	1,546,327
386,967	282,238	319,864	283,016	298,477	296,694
2,271,050	2,397,005	2,356,278	2,435,477	2,208,228	2,158,252
505,397	332,205	304,926	284,120	350,770	346,816
848,301	795,600	984,631	836,747	930,718	843,208
-	-	-	543,222	-	-
540,593	95,516	664,585	721,925	367,409	246,387
518,399	516,781	543,435	-	542,450	545,516
8,161,613	7,223,234	7,973,192	7,720,281	7,531,326	7,287,941

**Schedule 6**

## Union County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 11,025
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
ARRA - Community Development Block Grant Recovery (CDBG-R) Program	14.255	09-CDR-015	208,102
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	S397AO90016A	19,133
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		5,694
Refugee and Entrant Assistance - State Administered Programs	93.566		31
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,899
Foster Care_Title IV-E	93.658		5,831
Adoption Assistance	93.659		1,476
State Children's Insurance Program	93.767		64
Medical Assistance Program	93.778		12,370
Social Services Block Grant	93.667		5,841
Social Services Block Grant	93.667		62,217
			68,058
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1705 DRIA	8,967
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1727 DRIA	30,989
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DRIA	540,393
			580,349
Emergency Management Performance Grants	97.042		19,493
			19,493
Total			\$ 934,525

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

See accompanying independent auditor's report

**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**

**Union County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 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 Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

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

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Union County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Union County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 14, 2011



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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David A. Vaudt, CPA  
Auditor of State

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 Union County:

We have audited Union County, Iowa's compliance 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 Union County's major federal program for the year ended June 30, 2010. Union county's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Union County's compliance with those requirements.

In our opinion, Union County complied, in all material respects, with the requirements referred to above that 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 Union County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Union County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 14, 2011

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

Union County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine 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. Generally, one or more individuals in the County Treasurer's Office may have control over the following areas for which no compensating controls exist:

- (1) Receipts - collecting, depositing, posting and daily reconciling.
- (2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.
- (3) Bank reconciliations are reviewed periodically by an independent person for propriety. However, there is no evidence of review being performed.
- (4) All employees have access to the change fund.
- (5) One individual has custody of receipts and performs all investment record keeping and reconciling functions.

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

Response - Going forward an independent person will review and sign off on the bank reconciliation.

Conclusion - Response acknowledged. In addition, incompatible duties should be reviewed to obtain the maximum internal control possible under the circumstances.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables not recorded by the County. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – The County will implement procedures to ensure all receivables are included in the financial statements.

Conclusion – Response accepted.

II-C-10 Reimbursements – Chapter 331.504(7) of the Code of Iowa requires the County Auditor number each claim consecutively in the order of filing and enter the claim in the claim register alphabetically by the name of the claimant, including the date of filing, the number of the claim and its general nature and the action of the Board. In addition, Chapter 331.504(8) of the Code of Iowa also requires the claims, before being audited or paid, to be itemized to clearly show the basis of the claim.

The County paid \$2,948 towards the personal charge card of a County Supervisor. The payments included reimbursement of hotel expenses incurred for various County officials, employees and others during the performance of County business and for the ISAC Spring School Conference. In addition, the claims did not clearly identify the reason for the reimbursement without further explanation. These items were resolved for audit purposes.

The County also paid a portion of a County Supervisor's personal cell phone bill directly to the cell phone provider. The County's cell phone policy does not address reimbursement of personal cell phones used for County business.

Recommendation – Claims for reimbursement should be made to the claimant and not a third party vendor as required by Chapter 331.504(7) of the Code of Iowa. Claims should also clearly identify the basis for the claim. In addition, the County should review its cell phone policy regarding the reimbursement of cell phones used for County business.

Response – The County will look at a policy requiring the reimbursement to be more detailed and the reimbursement will be paid to the individual requesting reimbursement.

Conclusion – Response acknowledged. In addition, the County should develop a written policy addressing cell phone reimbursement.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Union 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 material weaknesses in internal control over the major program were noted.

Union 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 exceeded the amounts budgeted in the roads and transportation and debt service functions.

Disbursements in certain departments exceeded the amount appropriated for the year ended June 30, 2010 or during the year ended June 30, 2010 before an amendment was adopted.

In addition, the notice of the original budget hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

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

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

Also, the notice of the budget hearing should be published not less than 10 days or more than 20 days prior to the hearing.

Response – We will watch the budgets more closely and make sure amendments to the budget, and individual's Department budgets are done in a timely manner. Also, the notice timeline has been noted and will be adhered to.

Conclusion – Response accepted.

- IV-B-10 Questionable Expenditures – The County paid legal fees to Brick, Gentry P.C. for the defense of an individual member of the Board of Supervisors against criminal charges. Legal fees identified by the County for this litigation totaled \$45,820. These legal fees should only be paid by the County if the Supervisor's actions leading to the need for defense against criminal charges were part of his official duties.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The previous Union County Board of Supervisors voted to authorize/approve the payment of the expenses. The action was taken after the Board was advised by counsel Union County did not have a legal obligation to satisfy said expenses. The potential exists for Union County to recover said expenses. The decision on what responsive action to be taken, if any, to pursue legal action to recover said expenses is a matter which should be determined by the current Union County Board of Supervisors after consultation with counsel.

Conclusion – Response accepted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- 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.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 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).
- 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.

Union County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Steven O. Fuqua, CPA, Senior Auditor II  
Joshua B. Ludwig, Staff Auditor  
Stephanie Sissel, Assistant Auditor  
Brandon J. Vogel, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, looped initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State