

LUCAS COUNTY

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

JUNE 30, 2011

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LUCAS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Larry Davis	Board of Supervisors	Jan. 2011
Dan Kozak	Board of Supervisors	Jan. 2013
Dennis Smith	Board of Supervisors	Jan. 2013
Julie Masters	County Auditor	Jan. 2013
Phyllis Baker	County Treasurer	Jan. 2011
Treva White	County Recorder	Jan. 2011
Jim Baker	County Sheriff	Jan. 2013
Paul Goldsmith	County Attorney	Jan. 2011
Tim McGee	County Assessor	Jan. 2016
(After January 2011)		
Dan Kozak	Board of Supervisors	Jan. 2013
Dennis Smith	Board of Supervisors	Jan. 2013
Larry Davis	Board of Supervisors	Jan. 2015
Julie Masters	County Auditor	Jan. 2013
Phyllis Baker	County Treasurer	Jan. 2015
Laurie Shanks	County Recorder	Jan. 2015
Jim Baker	County Sheriff	Jan. 2013
Paul Goldsmith	County Attorney	Jan. 2015
Tim McGee	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lucas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County at June 30, 2011 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 March 6, 2012 on our consideration of Lucas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 12 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lucas County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lucas County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues decreased \$1,090,328 from fiscal year 2010 to 2011. Property and other county tax increased \$41,710, intergovernmental revenues decreased \$748,769 and other revenues decreased by \$383,269.
- The County's Governmental fund expenditures decreased \$789,221 from fiscal 2010 to fiscal 2011. Public Safety and Legal Services increased \$123,473, Physical Health and Social Services decreased \$126,146, Mental Health increased \$72,526, County environment and education increased \$6,274, Roads and Transportation increased \$525,978, Governmental Services to residents increased \$11,197, and Administration decreased \$46,694. Debt Service decreased \$6,001 and Capital Projects decreased \$1,349,828
- The County's Governmental Activities net assets increased \$1,214,647 from June 30, 2010 to June 30, 2011.

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 Lucas 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 Lucas 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 Lucas 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.

Other Supplementary Information provides detailed information about the non-major Governmental and the individual Agency Funds.

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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that is 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 governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County’s employee group health insurance plan, which is an Internal Service Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County functions.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities		
	June 30	
	2010	2011
Current and other assets	\$8,439,263	8,697,451
Capital assets	<u>8,709,402</u>	<u>9,836,781</u>
Total Assets	<u>17,148,665</u>	<u>18,534,232</u>
Long-Term liabilities	1,584,818	1,673,933
Other Liabilities	<u>3,524,184</u>	<u>3,605,989</u>
Total liabilities	<u>5,109,002</u>	<u>5,279,922</u>
Net Assets:		
Invested in capital assets, net of related debt	8,598,402	9,925,720
Restricted	2,947,300	2,643,325
Unrestricted	<u>493,961</u>	<u>685,265</u>
Total net assets	<u>12,039,663</u>	<u>13,254,310</u>

Net assets of Lucas County’s governmental activities increased by approximately 10% (\$12.04 million compared to \$13.25 million). The largest portion of the County’s net assets is the invested in capital assets net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$685,265 at June 30, 2011.

Changes in Net Assets of Governmental Activities

	Year Ended June 30	
	2010	2011
Revenues:		
Program Revenues:		
Charges for service	\$ 467,898	458,554
Operating grants, contributions & restricted interest	2,629,869	2,812,145
Capital grants, contributions, and restricted interest	1,357,388	1,182,416
General Revenues		
Property tax	3,058,474	3,106,478
Penalty and interest on property tax	44,102	44,968
State Tax Credits	161,591	153,477
Local Option Sales and Services Tax	321,237	310,209
Payments in lieu of taxes	4,379	8,806
Unrestricted investment earnings	29,053	23,194
Other general revenues	<u>29,298</u>	<u>6,568</u>
Total Revenues	<u>8,103,289</u>	<u>8,106,815</u>
Program Expenses		
Public Safety and Legal Services	986,667	1,010,597
Physical health and social services	719,719	589,742
Mental Health	923,649	988,874
County environment and education	210,380	212,780
Roads and transportation	2,681,137	2,986,277
Government services to residents	256,945	270,525
Administration	893,152	826,679
Interest on long term debt	26,807	6,694
Total Expenses	<u>6,698,456</u>	<u>6,892,168</u>

Change in Net Assets	1,404,833	1,214,647
Net assets beginning of year	<u>10,634,830</u>	<u>12,309,663</u>
Net assets end of year	<u>12,039,663</u>	<u>13,254,310</u>

The County increased rural levy rates in FY2011 by \$.22318 per \$1000.00 valuation. This increase was necessary to generate the money needed to maintain county services. Property tax revenue increased from 2010 by \$48,004.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$3.26 million, which is down \$217,687 from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased \$25,532 over the prior year. Property tax, interest and penalties, and charges for services increased \$80,727 while intergovernmental revenues, licenses and permits, use of money and property, and misc. revenue decreased \$106,259. General fund expenditures also decreased \$135,695. Operating expenditures for Public safety and legal services, County Environment and Education, Government Services to Residents and Capital projects increased \$35,964 while Physical Health and Social Services, Administration costs and Debt Service decreased \$171,659.
- Mental Health Fund revenues decreased \$128,344 from the prior year. Property tax revenues, charges for service and misc revenues increased only \$3,037. Intergovernmental revenues decreased \$131,381 due to less state funding. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$988,308, an increase of \$75,526 from the prior year due mainly to the rising cost of services to clients and an increase in the number of clients served. The Mental Health fund balance at the end of the year decreased \$185,489 from the prior year.
- The Rural Services Fund showed an increase in revenue. While property and other county taxes, intergovernmental revenues and charges for service increased \$23,500, miscellaneous revenues were down \$13,843 resulting in an increase of \$9,657. Expenditures increased \$25,932 due to increases in Physical Health and Social Services, Roads and Transportation and Administration costs of \$33,813 and decreases in Public Safety and Legal services, County environment and education, Government Services to residents and Capital projects of \$7,881. The Rural Services Fund balance decreased by \$65,171 from the prior year.
- Secondary Roads Fund revenues decreased by \$832,865 for the year due to less intergovernmental revenue received and a decrease in licenses and permits sold. Expenditures in Roads and transportation increased by \$516,048 and Capital projects expenditures decreased by \$1,274,753. The ending fund balance showed an increase of \$197,828 from last year.

BUDGETARY HIGHLIGHTS

During the course of the year, Lucas County amended the budget two (2) times. The first amendment was in February of 2011 and was necessary for various reasons including adding receipts for a Veterans Affairs grant and additional Local Option tax revenue received that was not budgeted for. Disbursements were increased to cover a Sheriff's vehicle, building construction fund expenditures from prisoner reimbursements, Veterans Affairs Grant expenditures, Secondary Roads equipment, Rock and Patching expenditures, furniture and equipment and a new boiler for the courthouse. The second amendment was in May, 2011 and was necessary to increase budgeted revenues due to an increase in receipts for liquor licenses, court fees, gun permits and insurance funds. Disbursements increased due to deputies overtime not budgeted for, purchase of new recycling trailer, excess medical examiner fees, self- insurance and work comp costs. Disbursements did not exceed the amount budgeted in any County function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Balance	
	June 30, 2010	June 30, 2011
Governmental activities		
Capital assets not being depreciated:		
Land	\$ 778,413	\$859,093
Construction in progress	51,529	158,229
Total Capital assets not being depreciated	<u>829,942</u>	<u>1,017,322</u>
Capital assets being depreciated:		
Buildings	\$676,414	676,414
Machinery and equipment	3,944,883	3,972,570
Infrastructure	7,612,320	8,713,797
Total Capital assets being depreciated	<u>12,233,617</u>	<u>13,362,781</u>
Less accumulated depreciation for:		
Buildings	205,750	222,122
Machinery and equipment	2,541,333	2,363,334
Infrastructure	1,607,074	1,957,886
Total Accumulated depreciation	<u>4,354,157</u>	<u>4,543,322</u>
Total Capital Assets being depreciated, net	<u>7,879,460</u>	<u>8,819,459</u>
Governmental activities capital assets, net	<u>8,709,402</u>	<u>9,836,781</u>

At June 30, 2011, Lucas County had approximately \$9.84 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$776,628, in FY 2011 and total accumulated depreciation of \$4,543,322 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

At June 30, 2011 Lucas County had \$178,524 in compensated absences as compared to \$175,147 on June 30, 2010, and a decrease of \$37,000 in General Obligation Notes. During FY2009 the County issued \$185,000 of general obligation notes to pay the cost of equipment for the County computer system. The note is payable through the year ending June 30, 2013. At June 30, 2011 the County had bank loan indebtedness in the amount of \$1,370,022 payable through the year ending June 30, 2019 for the Law Enforcement Center Project. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Lucas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and the fees that will be charged for various County activities. In an ongoing effort to maintain County services with the least possible increase to tax levies, the Lucas County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances, and reducing funding to non-mandated programs to provide essential services for the citizens of Lucas County.

Budgeted disbursements in the FY 2012 operating budget are \$8,431,657 a decrease of less than 1% over the final FY 2011 budget. Lucas County has spent down fund balances to finance programs currently offered due to the effect inflation has on program costs. Budgeted costs related to Public Safety and Legal Services, Physical Health and Social Services, Government Services to Residents, and Debt Service slightly increased while Mental Health Services, County Environment and Education, Roads and Transportation, Administration and Capital Projects decreased to make a \$4,385 decrease overall. Lucas County elected officials received a \$750 and all other employees received a \$600 increase for FY 2012. Lucas County added no major programs to the FY 2012 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lucas 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 Lucas Auditor's Office, 916 Braden Avenue, Chariton, Iowa.

Basic Financial Statements

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,427,798
Receivables:	
Property tax:	
Delinquent	20,830
Succeeding year	3,217,000
Interest and penalty on property tax	71,049
Accounts	15,875
Accrued interest	973
Due from other governments	248,484
Contract receivable (note 4)	7,599
Inventories	154,882
Investment in law enforcement center project (note 7)	1,532,961
Capital assets, net of accumulated depreciation (note 5)	<u>9,836,781</u>
Total assets	<u>18,534,232</u>
Liabilities	
Accounts payable	105,241
Salaries and benefits payable	56,864
Due to other governments (note 6)	224,105
Accrued interest payable	28,166
Deferred revenue:	
Succeeding year property tax	3,217,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation notes	37,000
Bank loan payable	148,202
Compensated absences	178,524
Portion due or payable after one year:	
General obligation notes	37,000
Bank loan payable	1,221,820
Net OPEB liability	<u>26,000</u>
Total liabilities	<u>5,279,922</u>

LUCAS COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 9,925,720
Restricted for:	
Supplemental levy purposes	22,186
Cemetery levy purposes	4,390
Mental health purposes	111,832
Secondary roads purposes	2,126,604
Conservation purposes	98,102
Prisoner room and board purposes	33,015
Debt service	1,928
Capital projects	31,945
Other purposes	213,323
Unrestricted	<u>685,265</u>
Total net assets	<u>\$ 13,254,310</u>

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Public safety and legal services	\$ 1,010,597	\$ 131,614	\$ 43,444	\$ - (835,539)
Physical health and social services	589,742	5,725	242,819	- (341,198)
Mental health	988,874	7,673	357,108	- (624,093)
County environment and education	212,780	15,092	38,621	- (159,067)
Roads and transportation	2,986,277	145,889	2,114,949	1,182,416 456,977
Government services to residents	270,525	143,222	-	- (127,303)
Administration	826,679	9,339	15,204	- (802,136)
Interest on long-term debt	6,694	-	-	- (6,694)
Total	\$ 6,892,168	\$ 458,554	\$ 2,812,145	\$ 1,182,416 (2,439,053)
General Revenues:				
Property and other county tax levied for:				
General purposes				3,072,048
Debt service				34,430
Penalty and interest on property tax				44,968
State tax credits				153,477
Payments in lieu of taxes				8,806
Local option sales and services tax				310,209
Unrestricted investment earnings				23,194
Miscellaneous				6,568
Total general revenues				3,653,700
Change in net assets				1,214,647
Net assets beginning of year				12,039,663
Net assets end of year				\$ 13,254,310

See notes to financial statements.

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LUCAS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 667,152	\$ 276,308	\$ 16,910	\$ 2,007,803
Receivables:				
Property tax:				
Delinquent	15,906	3,693	910	-
Succeeding year	1,908,000	334,000	934,000	-
Interest and penalty on property tax	71,049	-	-	-
Accounts	3,939	672	-	2,377
Accrued interest	964	-	-	-
Due from other governments	32,356	14,779	414	143,636
Contract receivable (note 4)	-	-	-	7,599
Inventories	-	-	-	154,882
Total assets	\$ 2,699,366	\$ 629,452	\$ 952,234	\$ 2,316,297

<u>Nonmajor</u>	<u>Total</u>
\$ 263,120	\$ 3,231,293
321	20,830
41,000	3,217,000
-	71,049
136	7,124
9	973
57,299	248,484
-	7,599
-	154,882
<u>\$ 361,885</u>	<u>\$ 6,959,234</u>

LUCAS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 24,329	\$ 24,216	\$ -	\$ 52,142
Salaries and benefits payable	22,440	-	11,645	22,779
Due to other governments (note 6)	54,553	154,449	479	14,624
Deferred revenue:				
Succeeding year property tax	1,908,000	334,000	934,000	-
Other	86,955	3,693	910	7,599
Total liabilities	2,096,277	516,358	947,034	97,144
Fund balances:				
Nonspendable:				
Inventories	-	-	-	154,882
Restricted for:				
Supplemental levy purposes	50,958	-	7,670	-
Cemetery levy purposes	4,390	-	-	-
Mental health purposes	-	113,094	-	-
Secondary roads purposes	-	-	-	2,064,271
Prisoner room and board purposes	33,015	-	-	-
Conservation purposes	52,694	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	462,032	-	(2,470)	-
Total fund balances	603,089	113,094	5,200	2,219,153
Total liabilities and fund balances	\$ 2,699,366	\$ 629,452	\$ 952,234	\$ 2,316,297

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 115	\$ 100,802
-	56,864
-	224,105
41,000	3,217,000
321	99,478
<u>41,436</u>	<u>3,698,249</u>
-	154,882
-	58,628
-	4,390
-	113,094
-	2,064,271
-	33,015
45,408	98,102
2,495	2,495
31,945	31,945
240,601	240,601
-	459,562
<u>320,449</u>	<u>3,260,985</u>
<u>\$ 361,885</u>	<u>\$ 6,959,234</u>

LUCAS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balances of governmental funds	\$ 3,260,985
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$14,380,103 and the accumulated depreciation is \$4,543,322.	9,836,781
Investment in law enforcement center project represents an investment in a future capital asset. This amount is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.	1,532,961
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	99,478
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	200,817
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(28,166)
Long-term liabilities, including notes payable, loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,648,546)</u>
Net assets of governmental activities	<u>\$ 13,254,310</u>

See notes to financial statements.

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LUCAS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,863,633	\$ 415,853	\$ 792,666	\$ -
Interest and penalty on property tax	34,784	-	-	-
Intergovernmental	458,237	379,293	38,834	2,237,824
Licenses and permits	-	-	-	375
Charges for service	227,104	7,421	12,116	-
Use of money and property	23,464	-	-	-
Miscellaneous	26,742	252	-	106,611
Total revenues	2,633,964	802,819	843,616	2,344,810
Expenditures:				
Operating:				
Public safety and legal services	875,329	-	92,990	-
Physical health and social services	560,438	-	29,500	-
Mental health	-	988,308	-	-
County environment and education	122,538	-	36,994	-
Roads and transportation	-	-	195,427	2,655,903
Government services to residents	241,051	-	1,941	-
Administration	839,587	-	65,446	-
Debt service	-	-	-	-
Capital projects	7,575	-	-	10,865
Total expenditures	2,646,518	988,308	422,298	2,666,768
Excess (deficiency) of revenues over (under) expenditures	(12,554)	(185,489)	421,318	(321,958)
Other financing sources (uses):				
Sale of capital assets	10	-	-	-
Interfund transfers in (note 3)	-	-	-	519,786
Interfund transfers out (note 3)	(33,297)	-	(486,489)	-
Total other financing sources (uses)	(33,287)	-	(486,489)	519,786
Net change in fund balances	(45,841)	(185,489)	(65,171)	197,828
Fund balances beginning of year, as restated (note 12)	648,930	298,583	70,371	2,021,325
Fund balances end of year	\$ 603,089	\$ 113,094	\$ 5,200	\$ 2,219,153

See notes to financial statements.

	<u>Nonmajor</u>	<u>Total</u>
\$	344,680	\$ 3,416,832
	-	34,784
	23,497	3,137,685
	-	375
	4,294	250,935
	51	23,515
	591	134,196
	<u>373,113</u>	<u>6,998,322</u>
	394,641	1,362,960
	-	589,938
	-	988,308
	16,108	175,640
	-	2,851,330
	8,303	251,295
	-	905,033
	41,899	41,899
	31,176	49,616
	<u>492,127</u>	<u>7,216,019</u>
	(119,014)	(217,697)
	-	10
	392,867	912,653
	<u>(392,867)</u>	<u>(912,653)</u>
	-	10
	(119,014)	(217,687)
	<u>439,463</u>	<u>3,478,672</u>
\$	<u><u>320,449</u></u>	<u><u>\$ 3,260,985</u></u>

LUCAS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (217,687)

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

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

	Expenditures for capital assets	\$ 802,530	
	Capital assets contributed by the Iowa Department of Transportation	1,101,477	
	Depreciation expense	<u>(776,628)</u>	1,127,379

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	(145)	
	Other	<u>7,151</u>	7,006

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. 199,939

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	(3,377)	
	Net OPEB liability	(13,000)	
	Interest on long-term debt	<u>(1,795)</u>	(18,172)

The Internal Service Fund is used by management to charge the costs of
the partial self funding of the County's health insurance benefit plan to
individual funds. The change in net assets of the Internal Service Fund
is reported with governmental activities. 116,182

Change in net assets of governmental activities \$ 1,214,647

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 196,505
Accounts receivable	<u>8,751</u>
Total assets	<u>205,256</u>
Liabilities	
Accounts payable	<u>4,439</u>
Net Assets	
Unrestricted	<u><u>\$ 200,817</u></u>

See notes to financial statements.

LUCAS COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds	\$ 428,570
Charges to employees and others	119,396
Total operating revenues	<u>547,966</u>
Operating expenses:	
Medical claims	69,042
Insurance premiums	355,950
Administrative fees	5,744
Miscellaneous	1,048
Total operating expenses	<u>431,784</u>
Operating income	116,182
Net assets beginning of year	<u>84,635</u>
Net assets end of year	<u>\$ 200,817</u>

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 428,570
Cash received from employees and others	110,645
Cash payments to suppliers for services	<u>(427,345)</u>
Net cash provided by operating activities	<u>111,870</u>
Cash and cash equivalents beginning of year	<u>84,635</u>
Cash and cash equivalents end of year	<u><u>\$ 196,505</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 116,182
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(8,751)
Increase in accounts payable	<u>4,439</u>
Net cash provided by operating activities	<u><u>\$ 111,870</u></u>

See notes to financial statements.

LUCAS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

Assets	
Cash and pooled investments:	
County Treasurer	\$ 565,392
Other County officials	35,914
Receivables:	
Property tax:	
Delinquent	77,127
Succeeding year	7,337,000
Accounts	9,236
Accrued interest	30
Due from other governments	6,351
Prepaid expenses	<u>3,713</u>
Total assets	<u>\$ 8,034,763</u>
Liabilities	
Accounts payable	\$ 5,932
Due to other governments (note 6)	7,974,385
Trusts payable	39,714
Compensated absences	<u>14,732</u>
Total liabilities	<u>\$ 8,034,763</u>

See notes to financial statements.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lucas County Assessor's Conference Board and Lucas County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Infrastructure	4-50
Equipment and vehicles	3-20

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in certain departments exceeded the amounts appropriated.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$316,982 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 33,297
	Special Revenue: Rural Services	486,489
Capital Projects	Local Option Sales and Services Tax	<u>392,867</u>
		<u>\$ 912,653</u>

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 4. Contract Receivable – Secondary Roads

As of June 30, 2011, the County has a long-term interest-free contract receivable from the City of Russell for road paving reimbursements. A summary of the payment schedule is as follows:

Year Ending June 30,	City of Russell
2012	\$ 3,033
2013	3,033
2014	<u>1,533</u>
	<u>\$ 7,599</u>

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 778,413	\$ 80,680	\$ -	\$ 859,093
Construction in progress	51,529	140,200	33,500	158,229
Total capital assets not being depreciated	<u>829,942</u>	<u>220,880</u>	<u>33,500</u>	<u>1,017,322</u>
Capital assets being depreciated:				
Buildings	676,414	-	-	676,414
Machinery and equipment	3,944,883	615,150	587,463	3,972,570
Infrastructure	7,612,320	1,101,477	-	8,713,797
Total capital assets being depreciated	<u>12,233,617</u>	<u>1,716,627</u>	<u>587,463</u>	<u>13,362,781</u>
Less accumulated depreciation for:				
Buildings	205,750	16,372	-	222,122
Machinery and equipment	2,541,333	409,464	587,463	2,363,334
Infrastructure	1,607,074	350,792	-	1,957,866
Total accumulated depreciation	<u>4,354,157</u>	<u>776,628</u>	<u>587,463</u>	<u>4,543,322</u>
Total capital assets being depreciated, net	<u>7,879,460</u>	<u>939,999</u>	<u>-</u>	<u>8,819,459</u>
Governmental activities capital assets, net	<u>\$ 8,709,402</u>	<u>\$ 1,160,879</u>	<u>\$ 33,500</u>	<u>\$ 9,836,781</u>

LUCAS COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	36,425
Mental health		4,100
County environment and education		8,909
Roads and transportation		697,428
Government services to residents		16,124
Administration		<u>13,642</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>776,628</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 54,553
Special Revenue:		
Mental Health		154,449
Rural Services		479
Secondary Roads		<u>14,624</u>
 Total for governmental funds		 \$ <u><u>224,105</u></u>
 Agency:		
County Assessor	Collections	\$ 288,257
Schools		4,285,920
Community Colleges		236,670
Corporations		1,805,566
County Hospital		829,191
Auto License and Use Tax		156,638
All Other		<u>372,143</u>
 Total for agency funds		 \$ <u><u>7,974,385</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation County Building Equipment Notes	Bank Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 111,000	\$ 1,265,670	\$ 175,147	\$ 13,000	\$ 1,564,817
Increases	-	267,291	178,524	13,000	458,815
Decreases	37,000	162,939	175,147	-	375,086
Balance end of year	<u>\$ 74,000</u>	<u>\$ 1,370,022</u>	<u>\$ 178,524</u>	<u>\$ 26,000</u>	<u>\$ 1,648,546</u>
Due within one year	<u>\$ 37,000</u>	<u>\$ 148,202</u>	<u>\$ 178,524</u>	<u>\$ -</u>	<u>\$ 363,726</u>

General Obligation County Building Equipment Notes Payable

Details of the County's June 30, 2011, general obligation County building equipment note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.80 %	\$ 37,000	\$ 3,109	\$ 40,109
2013	4.80	37,000	1,338	38,338
		<u>\$ 74,000</u>	<u>\$ 4,447</u>	<u>\$ 78,447</u>

Bank Loan Payable

In November 2009, the County entered into a capital lease purchase agreement with a private financing company for \$1,254,409 for a law enforcement center project. The project consists of the construction and lease purchase of a law enforcement center. In January 2010, the County entered into a bank loan for \$1,265,670 and had the proceeds paid directly to the financing company to essentially refund the capital lease purchase agreement. Interest of \$13,528 was also paid on the capital lease. The capital lease purchase agreement was then assigned to the bank and was used as collateral for the bank loan. The bank loan proceeds will be used by the financing company to pay the costs of construction for the new law enforcement center. The County borrowed an additional \$267,291 during the year ended June 30, 2011 for added expenses for the law enforcement center project. The bank loan includes interest at 4.75%.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 7. Long-Term Liabilities (continued)

Bank Loan Payable (continued)

At June 30, 2011, the County had an investment in law enforcement center project of \$1,532,961 that will be recognized as a capital asset when the building is constructed and transferred to the County.

Details of the County's June 30, 2011 bank loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 148,202	\$ 65,077	\$ 213,279
2013	155,083	58,196	213,279
2014	162,609	50,670	213,279
2015	170,332	42,947	213,279
2016	178,423	34,856	213,279
2017	186,826	26,453	213,279
2018	195,773	17,506	213,279
2019	172,774	8,206	180,980
	<u>\$ 1,370,022</u>	<u>\$ 303,911</u>	<u>\$ 1,673,933</u>

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 71 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 23,000
Interest on net OPEB obligation	500
Adjustment to annual required contribution	<u>(500)</u>
Annual OPEB cost	23,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	13,000
Net OPEB obligation beginning of year	<u>13,000</u>
Net OPEB obligation end of year	<u><u>\$ 26,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$10,000 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 23,000	43.5%	\$ 26,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$179,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$179,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,022,000 and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2011, there were no trust fund assets.

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

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

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

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

Projected claim costs of the medical plan are \$592 per month for retirees age 55 to 59 and \$729 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$174,281, \$164,783 and \$156,291, respectively, equal to the required contributions for each year.

Note 10. Risk Management

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 11. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan started on January 1, 2010 and is funded by both employee and County contributions. The plan is administered through a service agreement with Auxiant, which is subject to automatic renewal provisions. The County assumes liability for the difference between the \$750 or \$1,500 (depending on the plan) employee deductible and the \$5,000 deductible on the policy purchased by the County for the health plan. This results in a maximum out-of-pocket liability to the County of \$8,500 for the \$750 deductible plan and \$7,000 for the \$1,500 deductible plan per employee.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and weekly payments of claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$428,570.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$4,439, 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 \$200,817 at June 30, 2011 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$	-
Incurred claims (including claims incurred but not reported at June 30, 2011)		69,042
Payments		<u>64,603</u>
Unpaid claims at June 30, 2011	\$	<u><u>4,439</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Nonmajor - Special Revenue</u>			
	<u>General</u>	<u>Conservation Land Acquisition</u>	<u>Prisoner Reimbursement</u>	<u>Education Fund</u>
Balances June 30, 2010, as previously reported	\$ 511,521	\$ 43,897	\$ 55,138	\$ 38,374
Change in fund type classification per implementation of GASB Statement No. 54	<u>137,409</u>	<u>(43,897)</u>	<u>(55,138)</u>	<u>(38,374)</u>
Balances July 1, 2010, as restated	<u>\$ 648,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Nonmajor - Special Revenue</u>		
	<u>Capital Projects</u>	<u>Construction Donation</u>	<u>Landfill Equipment</u>
Balances June 30, 2010, as previously reported	\$ 3,871	\$ 7,596	\$ 33,376
Change in fund type classification per implementation of GASB Statement No. 54	<u>40,972</u>	<u>(7,596)</u>	<u>(33,376)</u>
Balances July 1, 2010, as restated	<u>\$ 44,843</u>	<u>\$ -</u>	<u>\$ -</u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 13. Contingent Liability

Landfill Closure Assurance Guaranty

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

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,316,140. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2011, has \$2,340,740 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2011.

Note 14. Subsequent Event

In October 2011, the County entered into a tax increment financing agreement with a local company. The County will rebate the incremental property taxes paid on the Company's facilities expansion for a period of ten years up to a maximum total of \$1,468,800. The rebate payments will not be general obligations of the County, but will be made solely from incremental property tax revenues generated by the company's project.

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Required Supplementary Information

LUCAS COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2011

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,420,939	\$ 3,348,235	\$ 3,419,235	\$ 1,704
Interest and penalty on property tax	34,784	9,000	9,000	25,784
Intergovernmental	3,387,040	3,598,916	3,659,469	(272,429)
Licenses and permits	375	450	450	(75)
Charges for service	250,737	240,317	248,817	1,920
Use of money and property	25,575	42,150	42,150	(16,575)
Miscellaneous	153,489	81,005	507,355	(353,866)
Total receipts	<u>7,272,939</u>	<u>7,320,073</u>	<u>7,886,476</u>	<u>(613,537)</u>
DISBURSEMENTS:				
Public safety and legal services	984,923	1,004,206	1,071,091	86,168
Physical health and social services	612,698	677,014	687,014	74,316
Mental health	969,501	1,041,531	1,041,531	72,030
County environment and education	177,514	198,791	207,828	30,314
Roads and transportation	2,797,783	2,932,236	3,283,200	485,417
Government services to residents	252,438	290,690	290,690	38,252
Administration	929,094	993,674	1,436,533	507,439
Debt service	41,899	41,900	41,900	1
Capital projects	474,398	1,256,000	1,477,000	1,002,602
Total disbursements	<u>7,240,248</u>	<u>8,436,042</u>	<u>9,536,787</u>	<u>2,296,539</u>
Excess (deficiency) of receipts over (under) disbursements	32,691	(1,115,969)	(1,650,311)	1,683,002
Other financing sources, net	<u>10</u>	<u>200</u>	<u>200</u>	<u>(190)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	32,701	(1,115,769)	(1,650,111)	1,682,812
Balance beginning of year	<u>3,198,592</u>	<u>2,104,837</u>	<u>3,198,591</u>	<u>1</u>
Balance end of year	<u>\$ 3,231,293</u>	<u>\$ 989,068</u>	<u>\$ 1,548,480</u>	<u>\$ 1,682,813</u>

See accompanying independent auditor's report.

LUCAS COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,272,939	\$ (274,617)	\$ 6,998,322
Expenditures	7,240,248	(24,229)	7,216,019
Net	32,691	(250,388)	(217,697)
Other financing sources, net	10	-	10
Beginning fund balances	3,198,592	280,080	3,478,672
Ending fund balances	<u>\$ 3,231,293</u>	<u>\$ 29,692</u>	<u>\$ 3,260,985</u>

See accompanying independent auditor's report.

LUCAS COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,100,745. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function. However, disbursements in certain departments exceeded the amounts appropriated.

LUCAS COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 179	\$ 179	0.0%	\$ 2,036	8.8%
2011	July 1, 2009	-	179	179	0.0%	2,022	8.9%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Other Supplementary Information

LUCAS COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Local Option Sales and Services Tax	Debt Service
Assets				
Cash and pooled investments	\$ 16,793	\$ 45,434	\$ 166,463	\$ 2,489
Receivables:				
Property tax:				
Delinquent	-	-	-	321
Succeeding year	-	-	-	41,000
Accounts	136	-	-	-
Accrued interest	1	2	-	6
Due from other governments	-	-	57,208	-
Total assets	<u>\$ 16,930</u>	<u>\$ 45,436</u>	<u>\$ 223,671</u>	<u>\$ 43,816</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 28	\$ -	-
Deferred revenue:				
Succeeding year property tax	-	-	-	41,000
Other	-	-	-	321
Total liabilities	<u>-</u>	<u>28</u>	<u>-</u>	<u>41,321</u>
Fund balances:				
Restricted for:				
Conservation purposes	-	45,408	-	-
Debt service	-	-	-	2,495
Capital projects	-	-	-	-
Other purposes	16,930	-	223,671	-
Total fund balances	<u>16,930</u>	<u>45,408</u>	<u>223,671</u>	<u>2,495</u>
Total liabilities and fund balances	<u>\$ 16,930</u>	<u>\$ 45,436</u>	<u>\$ 223,671</u>	<u>\$ 43,816</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 31,941	\$ 263,120
-	321
-	41,000
-	136
-	9
91	57,299
\$ 32,032	\$ 361,885

\$ 87	\$ 115
-	41,000
-	321
87	41,436

-	45,408
-	2,495
31,945	31,945
-	240,601
31,945	320,449
\$ 32,032	\$ 361,885

LUCAS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Local Option Sales and Services Tax	Debt Service
Revenues:				
Property and other County tax	\$ -	\$ -	\$ 310,209	\$ 34,471
Intergovernmental	-	21,658	-	1,839
Charges for service	1,638	-	-	-
Use of money and property	1	39	-	6
Miscellaneous	-	591	-	-
Total revenues	1,639	22,288	310,209	36,316
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	2,323	-	-
Government services to residents	8,303	-	-	-
Debt service	-	-	-	41,899
Capital projects	-	31,176	-	-
Total expenditures	8,303	33,499	-	41,899
Excess (deficiency) of revenues over (under) expenditures	(6,664)	(11,211)	310,209	(5,583)
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	(392,867)	-
Total other financing sources (uses)	-	-	(392,867)	-
Net change in fund balances	(6,664)	(11,211)	(82,658)	(5,583)
Fund balances beginning of year, as restated	23,594	56,619	306,329	8,078
Fund balances end of year	\$ <u>16,930</u>	\$ <u>45,408</u>	\$ <u>223,671</u>	\$ <u>2,495</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 344,680
-	23,497
2,656	4,294
5	51
-	591
2,661	373,113
394,641	394,641
13,785	16,108
-	8,303
-	41,899
-	31,176
408,426	492,127
(405,765)	(119,014)
392,867	392,867
-	(392,867)
392,867	-
(12,898)	(119,014)
44,843	439,463
\$ 31,945	\$ 320,449

LUCAS COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2011

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,046
Other County officials	8,679	21,347	5,888	-
Receivables:				
Property tax:				
Delinquent	-	-	-	432
Succeeding year	-	-	-	67,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 8,679	\$ 21,347	\$ 5,888	\$ 68,478
LIABILITIES				
Accounts payable	\$ 4,633	\$ -	\$ -	-
Due to other governments	4,046	-	-	68,478
Trusts payable	-	21,347	5,888	-
Compensated absences	-	-	-	-
Total liabilities	\$ 8,679	\$ 21,347	\$ 5,888	\$ 68,478

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 132,904	\$ 82,566	\$ 4,656	\$ 37,506	\$ 3,554	\$ 13,426	\$ 73
-	-	-	-	-	-	-
1,427	33,354	2,014	34,060	68	5,765	7
165,000	4,170,000	230,000	1,734,000	160,000	810,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,713	-	-	-	-	-	-
<u>\$ 303,044</u>	<u>\$ 4,285,920</u>	<u>\$ 236,670</u>	<u>\$ 1,805,566</u>	<u>\$ 163,622</u>	<u>\$ 829,191</u>	<u>\$ 1,080</u>
\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
288,257	4,285,920	236,670	1,805,566	163,622	829,191	1,080
-	-	-	-	-	-	-
14,732	-	-	-	-	-	-
<u>\$ 303,044</u>	<u>\$ 4,285,920</u>	<u>\$ 236,670</u>	<u>\$ 1,805,566</u>	<u>\$ 163,622</u>	<u>\$ 829,191</u>	<u>\$ 1,080</u>

LUCAS COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2011

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 156,638	\$ 1	\$ 118,038	\$ 1,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	8,836	-
Accrued interest	-	-	30	-
Due from other governments	-	-	6,351	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 156,638</u>	<u>\$ 1</u>	<u>\$ 133,255</u>	<u>\$ 1,265</u>
 LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,244	\$ -
Due to other governments	156,638	1	132,011	1,265
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 156,638</u>	<u>\$ 1</u>	<u>\$ 133,255</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>City Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 870	\$ 12,410	\$ 69	\$ 370	\$ 565,392
-	-	-	-	35,914
-	-	-	-	77,127
-	-	-	-	7,337,000
-	-	-	400	9,236
-	-	-	-	30
-	-	-	-	6,351
-	-	-	-	3,713
<u>\$ 870</u>	<u>\$ 12,410</u>	<u>\$ 69</u>	<u>\$ 770</u>	<u>\$ 8,034,763</u>
\$ -	\$ -	\$ -	\$ -	5,932
870	-	-	770	7,974,385
-	12,410	69	-	39,714
-	-	-	-	14,732
<u>\$ 870</u>	<u>\$ 12,410</u>	<u>\$ 69</u>	<u>\$ 770</u>	<u>\$ 8,034,763</u>

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2011

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 4,589	\$ 19,437	\$ 8,768	\$ 52,282
Additions:				
Property and other County tax	-	-	-	66,579
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	2,575
Payments in lieu of taxes	-	-	-	124
Office fees and collections	133,614	84,795	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Interest	-	-	-	-
Trusts	-	961,573	12,141	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	133,614	1,046,368	12,141	69,278
Deductions:				
Agency remittances:				
To other funds	57,124	81,306	-	-
To other governments	72,400	3,489	-	53,082
Trusts paid out	-	959,663	15,021	-
Total deductions	129,524	1,044,458	15,021	53,082
Balances end of year	\$ 8,679	\$ 21,347	\$ 5,888	\$ 68,478

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 275,408	\$ 4,087,461	\$ 234,627	\$ 1,677,437	\$ 159,996	\$ 668,457	\$ 1,046
164,576	4,154,988	228,974	1,720,416	159,424	807,632	851
-	-	-	-	-	-	-
8,369	202,623	11,562	93,274	7,611	33,061	43
403	9,693	569	-	844	1,592	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
408	-	-	-	-	-	-
<u>173,756</u>	<u>4,367,304</u>	<u>241,105</u>	<u>1,813,690</u>	<u>167,879</u>	<u>842,285</u>	<u>896</u>
-	-	-	-	-	-	-
146,120	4,168,845	239,062	1,685,561	164,253	681,551	862
-	-	-	-	-	-	-
<u>146,120</u>	<u>4,168,845</u>	<u>239,062</u>	<u>1,685,561</u>	<u>164,253</u>	<u>681,551</u>	<u>862</u>
\$ <u><u>303,044</u></u>	\$ <u><u>4,285,920</u></u>	\$ <u><u>236,670</u></u>	\$ <u><u>1,805,566</u></u>	\$ <u><u>163,622</u></u>	\$ <u><u>829,191</u></u>	\$ <u><u>1,080</u></u>

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2011

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ <u>161,855</u>	\$ <u>4</u>	\$ <u>125,323</u>	\$ <u>1,265</u>
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	67,508	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,064,345	-	-	-
Interest	-	-	380	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	50	959	18,500
Total additions	<u>2,064,345</u>	<u>50</u>	<u>68,847</u>	<u>18,500</u>
Deductions:				
Agency remittances:				
To other funds	88,190	-	-	-
To other governments	1,981,372	53	60,915	18,500
Trusts paid out	-	-	-	-
Total deductions	<u>2,069,562</u>	<u>53</u>	<u>60,915</u>	<u>18,500</u>
Balances end of year	<u>\$ 156,638</u>	<u>\$ 1</u>	<u>\$ 133,255</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>City Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 17,967	\$ 2,165	\$ 586	\$ 7,498,673
-	-	-	-	7,303,440
-	-	-	-	67,508
-	-	-	-	359,118
-	-	-	-	13,227
-	-	-	4,791	223,200
-	-	-	-	2,064,345
-	-	-	-	380
-	14,650	199,026	-	1,187,390
5,724	-	-	-	5,724
-	-	-	-	19,917
<u>5,724</u>	<u>14,650</u>	<u>199,026</u>	<u>4,791</u>	<u>11,244,249</u>
-	-	-	-	226,620
4,854	-	-	4,607	9,285,526
-	20,207	201,122	-	1,196,013
<u>4,854</u>	<u>20,207</u>	<u>201,122</u>	<u>4,607</u>	<u>10,708,159</u>
<u>\$ 870</u>	<u>\$ 12,410</u>	<u>\$ 69</u>	<u>\$ 770</u>	<u>\$ 8,034,763</u>

LUCAS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Property and other County tax	\$ 3,416,832	\$ 3,375,122	\$ 3,255,547	\$ 2,763,511
Interest and penalty on property tax	34,784	31,019	36,370	31,048
Intergovernmental	3,137,685	3,886,454	4,109,558	3,480,243
Licenses and permits	375	1,015	608	1,120
Charges for service	250,935	231,895	237,798	260,909
Use of money and property	23,515	41,242	70,810	135,694
Miscellaneous	134,196	521,903	238,354	217,186
Total	\$ 6,998,322	\$ 8,088,650	\$ 7,949,045	\$ 6,889,711
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,362,960	\$ 1,239,487	\$ 1,045,814	\$ 718,933
Physical health and social services	589,938	716,084	623,021	542,992
Mental health	988,308	915,782	1,032,917	994,969
County environment and education	175,640	169,366	297,233	179,324
Roads and transportation	2,851,330	2,325,352	2,891,079	2,218,959
Government services to residents	251,295	240,098	265,769	228,184
Administration	905,033	951,727	857,430	850,818
Non-program	-	-	-	-
Debt service	41,899	47,900	100,914	105,140
Capital projects	49,616	1,399,444	740,509	860,288
Total	\$ 7,216,019	\$ 8,005,240	\$ 7,854,686	\$ 6,699,607

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	2,595,200	\$ 2,570,552	\$ 2,237,851
	30,623	32,950	29,974
	2,705,620	3,013,759	2,825,372
	330	570	530
	243,732	243,642	241,211
	174,241	148,062	87,911
	211,031	292,174	178,076
	<u>\$ 5,960,777</u>	<u>\$ 6,301,709</u>	<u>\$ 5,600,925</u>
\$	799,077	\$ 899,540	\$ 850,361
	485,966	468,710	475,374
	953,109	797,690	716,400
	172,466	191,722	205,009
	2,314,629	2,640,561	2,243,217
	225,430	296,268	207,029
	770,593	716,880	703,562
	173,148	-	-
	112,440	61,363	46,133
	231,211	945,452	597,525
	<u>\$ 6,238,069</u>	<u>\$ 7,018,186</u>	<u>\$ 6,044,610</u>

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

To the Officials of Lucas County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucas County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 6, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Lucas County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa
March 6, 2012

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

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

	<u>Applicable Offices</u>
(1) Incoming mail should be opened by an employee who is not authorized to make entries to the accounting records.	Ag Extension, Sheriff
(2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts.	Ag Extension, Sheriff, Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Sheriff

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

LUCAS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-11 Segregation of Duties (continued)

Responses –

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

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

County Treasurer – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult. We have started alternating and rotating some duties as much as possible as well as having two people perform the bank reconciliation.

Conclusion – Responses accepted.

I-B-11 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

LUCAS COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted in any County function. However, disbursements in the medical examiner and solid waste disposal departments exceeded the amounts appropriated prior to the amendment of the appropriations. In addition, disbursements in the district court and grants departments exceeded the amounts appropriated at year end.

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

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

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- II-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.

- II-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

- II-F-11 Board Minutes – We noted two interfund transfers that were not approved in the Board minutes.

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

Response – These transfers were approved in the meeting notes, but they were inadvertently left out of the official minutes. The Board has since retroactively approved these transfers by amending the official minutes for that date.

Conclusion – Response accepted.

- II-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

- II-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

LUCAS COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2011

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

- II-I-11 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, 2011 for the County Extension Office did not exceed the amount budgeted.

We noted that the minutes for five Extension Council meetings were not properly signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – All Extension Council minutes should be properly signed as required by the Code of Iowa.

Response – We will make sure that all minutes are properly signed in the future.

Conclusion – Response accepted.

- II-J-11 Debt Service Payments – We noted that payments of principal and interest for the County’s bank loan were made through the public safety and legal services function rather than the debt service function.

Recommendation – All payments on long-term debt such as bank loans should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditure totals.

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

Conclusion – Response accepted.

- II-K-11 Financial Condition – At June 30, 2011, the Rural Basic Fund within the Rural Services Fund had a deficit fund balance of \$2,470.

Recommendation – The County needs to explore alternatives to restore the fund to a sound financial condition.

Response – We will investigate solutions to eliminate the deficit.

Conclusion – Response accepted.