

FAYETTE COUNTY
West Union, Iowa

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS**

June 30, 2009

FAYETTE COUNTY, IOWA
West Union, Iowa

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FAYETTE COUNTY
West Union, Iowa

OFFICIALS

(Before January 2009)

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Gayle Tellin	January 2011	Board of Supervisors
Mike Kennedy.....	January 2011	Board of Supervisors
Vicki Rowland	January 2009	Board of Supervisors
Larry Popenhagen	January 2009	Auditor
Kyle Jacobsen	January 2011	Treasurer
Karen Ford	January 2011	Recorder
Marty Fisher.....	January 2009	Sheriff
W. Wayne Saur	January 2011	Attorney
Joe Flores.....	Appointed.....	Assessor

(After January 2009)

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Gayle Tellin	January 2011	Board of Supervisors
Mike Kennedy.....	January 2011	Board of Supervisors
Vicki Rowland	January 2013	Board of Supervisors
Lori Moellers	January 2013	Auditor
Kyle Jacobsen	January 2011	Treasurer
Karen Ford	January 2011	Recorder
Marty Fisher.....	January 2013	Sheriff
W. Wayne Saur	January 2011	Attorney
Joe Flores.....	Appointed.....	Assessor



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Fayette County
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County at June 30, 2009, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2010 on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 - 8 and 39 - 42 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fayette 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 nine years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

April 22, 2010

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- County governmental funds revenue increased 45% or approximately \$7,198,479 from 2008 to 2009. Property taxes increased approximately \$186,951 and capital grants, contributions & restricted interest increased approximately \$6,021,365.
- County program expenses were 5% or approximately \$775,555 more in 2009 than in 2008. Roads and transportation expense increased approximately \$498,085.
- The County's net assets increased 25% or approximately \$7,067,667 at June 30, 2009.

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 Fayette 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 Fayette 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 Fayette County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps

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

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. 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 displayed 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, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general 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.
- 2) Proprietary funds account for the County's Internal Services, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve overtime as a useful indicator of financial position. The County's combined net assets were changed, increasing from \$27,945,856 to \$35,013,523. The analysis below focuses on net assets and changes in net assets of government activities.

Net Assets of Governmental Activities

	(Expressed in Thousands)	
	2009	2008
Current and Other Assets	\$11,004	\$10,717
Capital Assets	33,691	26,916
Total Assets	44,695	37,633
Long-Term Debt Outstanding	1,758	1,652
Other Liabilities	7,923	8,035
Total Liabilities	9,681	9,687
Net Assets:		
Invested in Capital Assets, Net of Debt	32,350	25,264
Restricted	1,100	1,192
Unrestricted	1,564	1,490
Total Net Assets	\$35,014	\$27,946

Net assets of the County's governmental activities increased by approximately 25%, (from \$27,945,856) the largest portion of the County's net assets is Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. 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.

Changes in Net Assets of Governmental Activities

	Year Ended June 30,	
	2009	2008
Program Revenues:		
Charges for service and sales	\$1,827	\$1,598
Operating grants and contributions	5,863	5,807
Capital grants and contributions	7,240	1,219
Property taxes	6,119	5,932
Unrestricted investments earnings	41	60
Other general revenues	1,982	1,258
Total revenues	23,072	15,874
Program Expenses:		
Public safety and legal services	2,829	2,732
Physical health and social services	472	444
Mental health	2,613	2,996
County environment and education	1,553	1,190
Roads and transportation	6,445	5,947
Government services to residents	580	511
Administration or general government	1,133	1,042
Non-program	315	292
Interest on long-term debt	64	75
Total expenses	16,004	15,229
Increase in net assets	7,068	645
Net assets – beginning of year	27,946	27,301
Net assets – end of year	\$35,014	\$27,946

The County's revenue increased 45%, (\$7,198,479). The total cost of programs and services increased 5%, (\$775,555), with no new programs added this year.

Governmental Activities

Fayette County increased the property tax dollars levied for 2009 by 3%. This was an increase of \$182,642. Despite this tax increase, the ending balance was estimated to be less than 2008 due to less intergovernmental revenue than anticipated and due to expectations remaining at the lower level in 2009. The low projected fund balance to expenditure ratio at the end of the fiscal year remains a concern.

Property taxes were increased in the General Basic Fund by \$55,362 to cover the expenses of demolition of the old jail. Property taxes were increased in the Rural Services Basic Fund by \$126,714 due to an increase in maintenance and construction work of roads and bridges following the floods of 2008.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported little change in combined fund balance.

The combined ending fund balance of the General and General Supplemental Funds increased by \$27,698 from 2008 to 2009. This increase in balance was due to an increase in property tax revenue and charges for services and increased expenditures.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,625,384, a decrease of 13% from the prior year. The Mental Health Fund balance at year end increased \$160,991 over the prior year.

The Rural Services Fund balance increased \$25,623 from a year ago to \$383,296. This was due to an increase of property tax revenue and slightly higher expenditures.

The Secondary Road fund ended the 2009 year with a balance of \$454,347. This is lower than the \$736,753 balance one year ago, due to increased road maintenance and repair and capital projects.

BUDGETARY HIGHLIGHTS

The budget was amended on March 9, 2009 with an increase of revenue of \$345,548 and a decrease of expenditures of \$214,697. The largest increase in expenditures was in the Roads and Transportation function. The largest decrease in expenditures was in the Capital Projects function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the County had \$54,754,423 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$7,642,783 or 16% over last year.

Capital Assets at Year End of Governmental Activities

	(Expressed in Thousands)	
	2009	2008
Land	\$1,123	\$1,123
Buildings	4,574	4,574
Equipment	8,865	8,734
Construction in Progress	5,812	1,083
Infrastructure	34,380	31,598
Total	<u>\$54,754</u>	<u>\$47,112</u>

This year's major additions include	
Law Enforcement Vehicles	\$37
Secondary Road Equipment	466
Voting Equipment	135
Infrastructure	2,782
Infrastructure Construction in Progress	5,812
	<hr/>
	\$9,232
	<hr/>

The County had depreciation expense of \$1,403,139 for the year ended June 30, 2009 and total accumulated depreciation as of June 30, 2009 of \$21,063,109.

The County's fiscal year 2009 capital expenditures totaled \$1,060,787 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

Debt Administration

At year end, the County had \$1,734,681 in bonds and other debt compared to \$2,066,476 in bonds and other debt last year as shown below.

Outstanding Debt at Year-End of Governmental Activities

	(Expressed in Thousands)	
	2009	2008
General Obligation Notes	\$1,341	\$1,652
Compensated Absences	394	415
	<hr/>	<hr/>
	\$1,735	\$2,067
	<hr/>	<hr/>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$57 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County begins the 2010 fiscal year with an actual fund balance to budgeted expenditure ratio of 8%. This is considerably less than the 17.25% from a year ago. The low balances are due to continued road and bridge repair work following the flooding of 2008 and continued anticipation of reimbursement for these expenses. The overall property tax asking for 2010 increased by 4.6%, but this increase will only maintain the balances at relatively the same low level. Payment of debt for the law enforcement center continues to be a strain on the General Fund Balance.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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 County Auditor's Office, 114 N. Vine St., West Union, IA.

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,183,047
Receivables:	
Property Tax:	
Delinquent	5,352
Succeeding Year	6,216,332
Interest & Penalty on Property Tax	259
Accounts	160,790
Accrued Interest	3,393
Due From Other Governments	717,080
Inventories	617,315
Deposit on Conservation Land	100,000
Capital Assets (Net of Accumulated Depreciation)	33,691,314
TOTAL ASSETS	44,694,882
LIABILITIES	
Accounts Payable	1,099,157
Accrued Interest Payable	4,503
Salaries & Benefits Payable	248,281
Due To Other Governments	355,069
Deferred Revenue:	
Succeeding Year Property Tax	6,216,332
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
Capital Lease Purchase Agreement	16,166
General Obligation Bonds	310,000
Compensated Absences	393,515
Portion Due or Payable After One Year:	
General Obligation Notes	1,015,000
Net OPEB Liability	23,336
TOTAL LIABILITIES	9,681,359
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	32,350,148
Restricted For:	
Mental Health Purposes	29,885
Secondary Roads Purposes	420,895
Other Purposes	648,944
Unrestricted	1,563,651
TOTAL NET ASSETS	\$35,013,523

See Notes To Financial Statements

FAYETTE COUNTY

West Union, Iowa

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	Expenses
FUNCTIONS/PROGRAMS:	
GOVERNMENTAL ACTIVITIES:	
Public Safety & Legal Services	\$2,829,020
Physical Health & Social Services	472,340
Mental Health	2,613,299
County Environment & Education	1,553,476
Roads & Transportation	6,444,671
Governmental Services to Residents	579,986
Administration	1,132,549
Non – Program	315,224
Interest on Long-Term Debt	63,633
TOTAL	\$16,004,198

GENERAL REVENUES:

Property & Other County Tax Levied For:

General Purposes

Penalties & Interest on Property Tax

State Tax Credits

Local Option Sales Tax

Grants and Contributions

Unrestricted Investment Earnings

Miscellaneous

Gain on Disposal of Capital Assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See Notes To Financial Statements

Charges for Service	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
\$693,481	\$31,470	\$0	\$(2,104,069)
12,175	183,465	0	(276,700)
302,669	1,731,289	0	(579,341)
52,450	288,345	20,000	(1,192,681)
30,933	3,627,962	7,094,928	4,309,152
336,924	0	125,000	(118,062)
10,673	0	0	(1,121,876)
387,291	0	0	72,067
0	0	0	(63,633)
<u>\$1,826,596</u>	<u>\$5,862,531</u>	<u>\$7,239,928</u>	<u>(1,075,143)</u>

6,118,765

61,403

380,495

655,135

262,516

40,565

604,581

19,350

8,142,810

7,067,667

27,945,856\$35,013,523

FAYETTE COUNTY
West Union, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$1,455,473	\$527,262	\$338,518
Receivables:			
Property Tax:			
Delinquent	3,550	575	1,227
Succeeding Year	3,973,887	703,071	1,539,374
Interest and Penalty on Property Tax	259	0	0
Accounts	79,637	33,921	5,895
Accrued Interest	3,245	0	0
Due From Other Governments	35,204	14,976	57,021
Inventories	0	0	0
TOTAL ASSETS	\$5,551,255	\$1,279,805	\$1,942,035

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts Payable	\$119,747	\$191,407	\$1,988
Salaries and Benefits Payable	128,075	12,939	16,260
Due To Other Governments	3,889	342,503	0
Deferred Revenue:			
Succeeding Year Property Tax	3,973,887	703,071	1,539,374
Other	2,943	521	1,117
Total Liabilities	4,228,541	1,250,441	1,558,739

Fund Balances:			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	1,322,714	0	0
Special Revenue Funds	0	29,364	383,296
Total Fund Balances	1,322,714	29,364	383,296

TOTAL LIABILITIES AND FUND BALANCES	\$5,551,255	\$1,279,805	\$1,942,035
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See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$105,833	\$279,830	\$2,706,916
0	0	5,352
0	0	6,216,332
0	0	259
11,550	5,193	136,196
0	148	3,393
607,655	2,224	717,080
617,315	0	617,315
<u>\$1,342,353</u>	<u>\$287,395</u>	<u>\$10,402,843</u>

\$631,668	\$22,864	\$967,674
91,007	0	248,281
8,677	0	355,069
0	0	6,216,332
156,654	0	161,235
<u>888,006</u>	<u>22,864</u>	<u>7,948,591</u>

617,315	0	617,315
0	0	1,322,714
(162,968)	264,531	514,223
<u>454,347</u>	<u>264,531</u>	<u>2,454,252</u>
<u>\$1,342,353</u>	<u>\$287,395</u>	<u>\$10,402,843</u>

FAYETTE COUNTY
West Union, Iowa

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

June 30, 2009

Total Governmental Fund Balances (pages 12-13)	\$2,454,252
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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 in the funds. The costs of assets is \$54,754,423 and the accumulated depreciation is \$21,063,109.	33,691,314
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	161,235
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Deposits made towards the purchase of capital assets are recorded as expenditures in the fund financial statements and as an asset in the Statement of Net Assets.	100,000
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The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	369,242
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Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,762,520)</u>
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Net Assets of Governmental Activities (page 9)	<u>\$35,013,523</u>
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See Notes to Financial Statements

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

		Special Revenue	
	General	Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$3,886,326	\$725,623	\$2,174,171
Interest & Penalty on Property Tax	61,403	0	0
Intergovernmental	790,378	1,983,897	314,425
Licenses & Permits	12,175	0	3,375
Charges for Services	1,003,620	76,762	1,400
Use of Money & Property	38,953	0	0
Miscellaneous	138,883	93	9,590
Total Revenues	5,931,738	2,786,375	2,502,961
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	2,632,021	0	0
Physical Health & Social Services	465,766	0	0
Mental Health	0	2,625,384	0
County Environment & Education	770,825	0	707,722
Roads & Transportation	0	0	215,753
Governmental Services to Residents	520,129	0	4,497
Administrative Services	994,803	0	0
Non-Program	5,164	0	0
Debt Service	359,505	0	0
Capital Projects	26,018	0	0
Total Expenditures	5,774,231	2,625,384	927,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	157,507	160,991	1,574,989
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(129,809)	0	(1,549,366)
Total Other Financing Sources (Uses)	(129,809)	0	(1,549,366)
Net Change in Fund Balances	27,698	160,991	25,623
Fund Balances – Beginning of Year	1,295,016	(131,627)	357,673
Decrease in Reserve for Inventories	0	0	0
Fund Balances – End of Year	\$1,322,714	\$29,364	\$383,296

See Notes To Financial Statements

<u>Special Revenue</u> Secondary Roads	Nonmajor	Total
\$0	\$0	\$6,786,120
0	0	61,403
4,098,807	40,739	7,228,246
6,188	0	21,738
2,394	16,578	1,100,754
0	80,157	119,110
484,557	10,148	643,271
4,591,946	147,622	15,960,642
0	39,395	2,671,416
0	0	465,766
0	0	2,625,384
0	44,343	1,522,890
5,306,314	0	5,522,067
0	2,060	526,686
117,040	0	1,111,843
0	0	5,164
0	0	359,505
1,007,160	27,609	1,060,787
6,430,514	113,407	15,871,508
(1,838,568)	34,215	89,134
19,350	0	19,350
1,679,175	0	1,679,175
0	0	(1,679,175)
1,698,525	0	19,350
(140,043)	34,215	108,484
736,753	230,316	2,488,131
(142,363)	0	(142,363)
\$454,347	\$264,531	\$2,454,252

FAYETTE COUNTY
West Union, Iowa

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (pages 15-16) \$108,484

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

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

Expenditures for Capital Assets	\$1,642,150	
Capital Assets Contributed by the Iowa Department of Transportation	6,536,715	
Contribution from Pheasants Forever, Deposit of Future Purchase	20,000	
Depreciation Expense	<u>(1,403,139)</u>	6,795,726

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 Taxes	(12,221)	
Other	<u>35,088</u>	22,867

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

Repaid		310,506
--------	--	---------

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

Compensated Absences	21,289	
Other Post Employment Benefits	(23,336)	
Interest on Long-Term Debt	<u>872</u>	(1,175)

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

(142,363)

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

(26,378)

Change in Net Assets of Governmental Activities (pages 10-11)

\$7,067,667

See Notes to Financial Statements

**FAYETTE COUNTY
West Union, Iowa****STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009**

	Internal Service Employee Group Health
ASSETS	
Cash & Cash Equivalents	\$476,131
Receivables	
Accounts	24,594
TOTAL ASSETS	\$500,725
LIABILITIES	
Accounts Payable	\$131,483
NET ASSETS	
Unrestricted	\$369,242

See Notes To Financial Statements

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2009

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$961,212
Reimbursements From Employees	221,261
Insurance Reimbursements	325,088
Total Operating Revenues	<u>1,507,561</u>
OPERATING EXPENSES:	
Medical Claims	1,236,592
Insurance Premiums	203,304
Administrative Fees	84,132
Miscellaneous	9,911
Total Operating Expenses	<u>1,533,939</u>
Net Loss	(26,378)
Net Assets Beginning of Year	<u>395,620</u>
Net Assets End of Year	<u><u>\$369,242</u></u>

See Notes To Financial Statements

**FAYETTE COUNTY
West Union, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$961,212
Cash Received From Employees & Others	543,870
Cash Paid To Suppliers For Services	<u>(1,543,691)</u>
Net Cash Used in Operating Activities	<u>(38,609)</u>
Cash & Cash Equivalents at Beginning of Year	<u>514,740</u>
Cash & Cash Equivalents at End of Year	<u><u>\$476,131</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$(26,378)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Increase In Accounts Receivable	(2,479)
Decrease In Accounts Payable	<u>(9,752)</u>
Net Cash Used in Operating Activities	<u><u>\$(38,609)</u></u>

See Notes To Financial Statements

**FAYETTE COUNTY
West Union, Iowa****STATEMENT OF FIDUCIARY ASSETS
AGENCY FUNDS
June 30, 2009****ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,144,218
Other County Officials	344,667
Receivables:	
Property Tax:	
Delinquent	1,332
Succeeding Year	16,330,669
Accounts	36,516
Accrued Interest	411
Due from Other Governments	2,749
TOTAL ASSETS	17,860,562

LIABILITIES

Accounts Payable	36,400
Salaries & Benefits Payable	13,737
Due To Other Governments	17,433,393
Trusts Payable	357,828
Compensated Absences	19,204
TOTAL LIABILITIES	17,860,562
NET ASSETS	\$0

See Notes To Financial Statements

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Fayette 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 presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

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

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

Blended Component Units – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Fayette County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of this individual drainage district can be obtained from the Fayette County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Fayette County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Fayette County Assessor's Conference Board, Fayette County Emergency Management Commission, and Fayette County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund, 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 other nonmajor governmental funds.

The County reports the following major governmental funds:

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

Special Revenue:

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

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

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

Additionally the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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.

Notes to Financial Statements (Continued)

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, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary 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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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 a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

Notes to Financial Statements (Continued)

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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Notes to Financial Statements (Continued)

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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	40 – 65
Infrastructure	15 – 65
Equipment and Vehicles	2 – 20

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide 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.

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2009, disbursements did not exceed the amount budgeted, however, disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3 : Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General Basic	\$129,809
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,549,366</u>
Total		<u>\$1,679,175</u>

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

Notes to Financial Statements (Continued)

Note 4 : Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,123,224	\$0	\$0	\$1,123,224
Construction in Progress	1,082,693	5,812,073	1,082,693	5,812,073
Total Capital Assets Not Being Depreciated	2,205,917	5,812,073	1,082,693	6,935,297
Capital Assets Being Depreciated:				
Buildings	4,573,523	0	0	4,573,523
Machinery and Equipment	8,734,476	667,196	536,082	8,865,590
Infrastructure	31,597,724	2,782,289	0	34,380,013
Total Capital Assets Being Depreciated	44,905,723	3,449,485	536,082	47,819,126
Less Accumulated Depreciation For:				
Buildings	811,669	85,497	0	897,166
Machinery and Equipment	6,845,613	459,091	536,082	6,768,622
Infrastructure	12,538,770	858,551	0	13,397,321
Total Accumulated Depreciation	20,196,052	1,403,139	536,082	21,063,109
Total Capital Assets Being Depreciated, Net	24,709,671	2,046,346	0	26,756,017
Governmental Activities Capital Assets, Net	\$26,915,588	\$7,858,419	\$1,082,693	\$33,691,314
Depreciation expense was charged to the following functions:				
Public Safety and Legal Services				\$131,467
Mental Health				2,336
County Environment and Education				8,452
Roads and Transportation				1,225,601
Government Services to Residents				27,000
Administration				8,283
Total Depreciation Expense – Governmental Activities				<u>\$1,403,139</u>

Notes to Financial Statements (Continued)

Note 5 : Due to Other Governments

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

Fund	Description	Amount
General	Services	\$3,889
Special Revenue:		
Mental Health	Services	342,503
Secondary Roads		<u>8,677</u>
Total for Governmental Funds		<u>\$355,069</u>
Agency:		
Agricultural Extension	Collections	\$177,122
Assessor		229,361
Schools		11,006,480
Community Colleges		739,940
Corporations		4,042,920
Auto License & Use Tax		392,198
All Others		<u>845,372</u>
Total for Agency Funds		<u>\$17,433,393</u>

Note 6: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009, is as follows:

	Compensated Absences	General Obligation Notes	Capital Lease Purchase Agreement	Total
Balance – Beginning of Year	\$414,804	\$1,620,000	\$31,672	\$2,066,476
Reductions	21,289	295,000	15,506	331,795
Balance – End of Year	<u>\$393,515</u>	<u>\$1,325,000</u>	<u>\$16,166</u>	<u>\$1,734,681</u>
Due Within One Year	<u>\$393,515</u>	<u>\$310,000</u>	<u>\$16,166</u>	<u>\$719,681</u>

Note Payable

During the year ended June 30, 2003, the County issued \$3,300,000 of General Obligation County Law Enforcement Center Notes, Series 2002. The notes were issued to pay the cost of constructing, furnishing and equipping a new Law Enforcement Center. Interest is due semi-annually on December 1 and June 1 at rates of 3.25% to 4.00% over the life of the notes. Principal payments are due annually, beginning on June 1, 2003 and ending on June 1, 2013.

Notes to Financial Statements (Continued)

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

A summary of the County's June 30, 2009 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.0%	\$310,000	\$53,000	\$363,000
2011	4.0%	325,000	40,600	365,600
2012	4.0%	335,000	27,600	362,600
2013	4.0%	355,000	14,200	369,200
		<u>\$1,325,000</u>	<u>\$135,400</u>	<u>\$1,460,400</u>

During the year ended June 30, 2009, the County retired \$295,000 of general obligation notes.

Capital Lease Purchase Agreement

During the fiscal year ended June 30, 2005, the County entered into a capital lease purchase agreement to lease a John Deere Tractor with a Diamond Wet Blade Mower. The following is a schedule of the future minimum lease payments, including interest of 4.25% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2009:

Year Ending June 30,	
2010	\$16,853
Less: Amount Representing Interest	<u>687</u>
Present Value of Net Minimum Lease Payments	<u>\$16,166</u>

Payments under this capital lease purchase agreement totaled \$15,506 for the year ended June 30, 2009.

Note 7: Closure and Postclosure Care Costs

Fayette County is a member of the Fayette County Solid Waste Management Commission. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Commission is to provide for the economic disposal and or recycling of all solid waste produced or generated within each member city, town, and the unincorporated portion of Fayette County, comprising the municipalities. In performing its duties, the Commission may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

Notes to Financial Statements (Continued)

Note 7: Closure and Postclosure Care Costs (Continued)

State and Federal laws and regulations require the Commission 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. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the Commission to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. As of June 30, 2009, the estimated liability associated with closure and postclosure care costs had been determined. Also based on regulations, the financial assurance mechanism has been established.

Note 8: Pension and Retirement Benefits

Fayette County is a member in 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$346,338, \$308,058 and \$289,168, respectively, equal to the required contributions for each year.

Note 9: Other Postemployment Benefits (OPEB)

Fayette County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 132 active and 7 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark of Iowa. The dental benefit is administered by Delta Dental of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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.

Notes to Financial Statements (Continued)

Note 9: Other Postemployment Benefits (OPEB) (Continued)

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

The table shows the components of the County's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$49,520
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	49,520
Contributions made	(24,877)
Increase in net OPEB obligation	24,643
Net OPEB obligation – beginning of year	0
Net OPEB obligation – end of the year	\$24,643

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the County contributed \$24,877 to the medical plan. Plan members receiving benefits contributed \$49,754, or 66% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06-30-2009	\$49,520	50.2%	\$24,643

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$447,947, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$447,947. The covered payroll (annual payroll of active employees covered by the plan) was \$4,761,268, and the ratio of the UAAL to the covered payroll was 9.4%. As of June 30, 2009, there were no trust fund assets.

Notes to Financial Statements (Continued)

Note 9: Other Postemployment Benefits (OPEB) (Continued)

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 assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2008 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

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

The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

Note 10: Risk Management

Fayette County is a member of the Heartland Risk Pool as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability, automobile physical damage, law enforcement, public official errors and omissions, and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Notes to Financial Statements (Continued)

Note 10: Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2009 was \$496,305.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains automobile liability, general liability, public officials liability and law enforcement legal liability. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$6,000,000 per claim. Workers' compensation claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,000,000. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Property automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past four fiscal years.

Members agree to continue membership in the pool for a period of not less than three full years. Subsequent to this initial term, the member may withdraw at the end of the third fiscal year of any three-year term, only after at least 60 days prior written notice. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

Notes to Financial Statements (Continued)

Note 10: Risk Management (Continued)

The County also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for employees blanket bond claims in excess of \$20,000 per employee, with the exception of the Treasurer which is in excess of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 is funded by both employee and County contributions and is administrated through a Service Agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2009 was \$961,212.

Note 12: Commitments and Contingencies

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

During the year ending June 30, 2008, the Iowa Heritage Foundation agreed to purchase land on behalf of the Conservation department. Conservation paid \$40,000 to the Iowa Heritage Foundation, and Pheasants Forever paid \$40,000 to the Foundation on behalf of Conservation. Both the payment and the contribution have been recorded as a deposit on the future purchase. During the fiscal year 2009, Pheasants Forever paid an additional \$20,000 on behalf of the Fayette County Conservation Department. The payment has been recorded as a deposit and a contribution.

Note 13: Related Party Transactions

The County had business transactions between the County and the County officials during the year ended June 30, 2009.

Notes to Financial Statements (Continued)

Note 14: Subsequent Event

On July 15, 2009, Fayette County entered into a refunding agreement by issuing \$1,355,000 General Obligation Refunding Bonds, Series 2009A. The issue refunded the \$1,325,000 General Obligation Law Enforcement Center Notes, Series 2001. Interest ranges from 1.45% to 2.65% over the life of the Bonds. The County will save approximately \$31,000 over the next four years as a result of the lower interest rate.

FAYETTE COUNTY
West Union, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2009

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$6,779,838	\$0	\$6,779,838	\$6,681,910	\$6,770,168	\$9,670
Interest & Penalty on Property Tax	61,167	0	61,167	57,400	57,400	3,767
Intergovernmental	7,151,479	0	7,151,479	7,429,985	7,542,158	(390,679)
Licenses & Permits	21,808	0	21,808	11,000	11,700	10,108
Charges for Services	1,059,898	0	1,059,898	819,540	953,165	106,733
Use of Money & Property	117,643	0	117,643	102,705	91,715	25,928
Miscellaneous	526,337	0	526,337	273,101	294,883	231,454
Total Receipts	15,718,170	0	15,718,170	15,375,641	15,721,189	(3,019)
DISBURSEMENTS:						
Public Safety & Legal Services	2,666,521	0	2,666,521	2,775,093	2,763,857	97,336
Physical Health & Social Services	460,703	0	460,703	550,704	503,404	42,701
Mental Health	2,945,782	0	2,945,782	2,905,982	2,971,429	25,647
County Environment & Education	1,521,718	0	1,521,718	1,597,413	1,531,218	9,500
Roads & Transportation	5,401,812	0	5,401,812	4,861,000	5,527,235	125,423
Governmental Services to Residents	526,776	0	526,776	628,915	597,755	70,979
Administrative Services	1,120,762	0	1,120,762	1,195,265	1,155,159	34,397
Non-Program	5,164	0	5,164	7,400	7,200	2,036
Debt Service	359,505	0	359,505	359,505	359,505	0
Capital Projects	863,374	0	863,374	1,614,450	864,268	894
Total Disbursements	15,872,117	0	15,872,117	16,495,727	16,281,030	408,913
Excess (Deficiency) of Receipts Over (Under) Disbursements	(153,947)	0	(153,947)	(1,120,086)	(559,841)	405,894
Other Financing Services, Net	19,350	0	19,350	0	0	19,350
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(134,597)	0	(134,597)	(1,120,086)	(559,841)	425,244
Balance Beginning of Year	2,841,513	6,336	2,835,177	2,548,173	2,835,153	24
Balance End of Year	\$2,706,916	\$6,336	\$2,700,580	\$1,428,087	\$2,275,312	\$425,268

See Accompanying Independent Auditors' Report

FAYETTE COUNTY
West Union, Iowa

BUDGETARY COMPARISON SCHEDULE –
 BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,718,170	\$242,472	\$15,960,642
Expenditures	15,872,117	(609)	15,871,508
Net	(153,947)	243,081	89,134
Other Financing Sources	19,350	0	19,350
Beginning Fund Balances	2,841,513	(353,382)	2,488,131
Decrease in Reserve For: Inventories	0	(142,363)	(142,363)
Ending Fund Balances	\$2,706,916	\$(252,664)	\$2,454,252

See Accompanying Independent Auditors' Report

**Fayette County
West Union, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The 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 and Agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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, a budget amendment decreased budgeted disbursements by \$214,697. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted, however, disbursements in certain departments exceeded amounts appropriated.

Fayette County

Required Supplementary Information

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

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)
7-1-2008	\$0	\$448	\$448	0%	\$4,761	9.4%

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

FAYETTE COUNTY
West Union, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Resource Enhancement & Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Attorney's Forfeiture
ASSETS				
Cash & Pooled Investments	\$83,788	\$29,916	\$670	\$5,298
Receivables:				
Accounts	0	344	0	0
Accrued Interest	96	52	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$83,884	\$30,312	\$670	\$5,298
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$17,696	\$0	\$0	\$47
Fund Balances:				
Unreserved	66,188	30,312	670	5,251
TOTAL LIABILITIES AND FUND BALANCES	\$83,884	\$30,312	\$670	\$5,298

See Accompanying Independent Auditors' Report

Schedule 1

Sheriff's Forfeiture	DARE	Canine	Commissary Profit	Drainage Districts	Conservation Land Acquisition	Gilbertson	Total
\$2,495	\$166	\$4,728	\$454	\$6,336	\$87,319	\$58,660	\$279,830
0	0	0	3,317	0	0	1,532	5,193
0	0	0	0	0	0	0	148
0	0	0	0	0	0	2,224	2,224
\$2,495	\$166	\$4,728	\$3,771	\$6,336	\$87,319	\$62,416	\$287,395
\$0	\$0	\$0	\$2,742	\$0	\$20	\$2,359	\$22,864
2,495	166	4,728	1,029	6,336	87,299	60,057	264,531
\$2,495	\$166	\$4,728	\$3,771	\$6,336	\$87,319	\$62,416	\$287,395

FAYETTE COUNTY
West Union, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Resource Enhancement & Protection	County's Recorder's Records Management	County Recorder's Electronic Transaction Fee	Attorney's Forfeiture
REVENUES:				
Intergovernmental	\$19,557	\$0	\$0	\$0
Charges for Services	0	4,005	0	0
Use of Money & Property	1,071	784	3	0
Miscellaneous	0	0	0	0
Total Revenues	20,628	4,789	3	0
EXPENDITURES:				
Operating:				
Public Safety & Legal Services	0	0	0	516
County Environment & Education	0	0	0	0
Government Services to Residents	0	2,060	0	0
Capital Projects	20,089	0	0	0
Total Expenditures	20,089	2,060	0	516
Excess (Deficiency) of Revenues Over (Under) Expenditures	539	2,729	3	(516)
Net Change in Fund Balance	539	2,729	3	(516)
Fund Balances – Beginning of Year	65,649	27,583	667	5,767
Fund Balances – End of Year	\$66,188	\$30,312	\$670	\$5,251

See Accompanying Independent Auditors' Report

Schedule 2

Sheriff's Forfeiture	DARE	Canine	Commissary Profit	Drainage Districts	Conservation Land Acquisition	Gilbertson	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$21,182	\$40,739
0	0	0	0	0	0	12,573	16,578
0	0	0	34,280	0	22,554	21,465	80,157
190	25	4,957	4,736	0	0	240	10,148
190	25	4,957	39,016	0	22,554	55,460	147,622
0	298	1,308	37,273	0	0	0	39,395
0	0	0	0	0	0	44,343	44,343
0	0	0	0	0	0	0	2,060
0	0	0	0	0	7,520	0	27,609
0	298	1,308	37,273	0	7,520	44,343	113,407
190	(273)	3,649	1,743	0	15,034	11,117	34,215
190	(273)	3,649	1,743	0	15,034	11,117	34,215
2,305	439	1,079	(714)	6,336	72,265	48,940	230,316
\$2,495	\$166	\$4,728	\$1,029	\$6,336	\$87,299	\$60,057	\$264,531

FAYETTE COUNTY
West Union, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$3,614	\$48,969	\$228,118
Other County Officials	344,667	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	13	15	848
Succeeding Year	0	173,495	204,471	10,777,514
Accounts	102	0	102	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$344,769	\$177,122	\$253,557	\$11,006,480
LIABILITIES				
Accounts Payable	\$0	\$0	\$1,121	\$0
Salaries & Benefits Payable	0	0	5,631	0
Due to Other Governments	358	177,122	229,361	11,006,480
Trusts Payable	344,411	0	0	0
Compensated Absences	0	0	17,444	0
TOTAL LIABILITIES	\$344,769	\$177,122	\$253,557	\$11,006,480

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$9,080	\$81,660	\$5,697	\$20,258	\$392,198	\$354,624	\$1,144,218
0	0	0	0	0	0	344,667
57	365	20	0	0	14	1,332
730,803	3,960,895	298,554	0	0	184,937	16,330,669
0	0	0	0	0	36,312	36,516
0	0	0	0	0	411	411
0	0	0	0	0	2,749	2,749
<u>\$739,940</u>	<u>\$4,042,920</u>	<u>\$304,271</u>	<u>\$20,258</u>	<u>\$392,198</u>	<u>\$579,047</u>	<u>\$17,860,562</u>
\$0	\$0	\$0	\$0	\$0	\$35,279	\$36,400
0	0	0	0	0	8,106	13,737
739,940	4,042,920	304,271	20,258	392,198	520,485	17,433,393
0	0	0	0	0	13,417	357,828
0	0	0	0	0	1,760	19,204
<u>\$739,940</u>	<u>\$4,042,920</u>	<u>\$304,271</u>	<u>\$20,258</u>	<u>\$392,198</u>	<u>\$579,047</u>	<u>\$17,860,562</u>

FAYETTE COUNTY
West Union, Iowa

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

Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$336,150	\$167,268	\$240,410	\$10,408,519
Additions:				
Property & Other County Tax	0	179,405	211,537	11,137,683
E911 Surcharge	0	0	0	0
State Tax Credits	0	10,589	12,664	665,258
Drivers License Fees	0	0	0	0
Office Fees & Collections	389,739	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	328,843	0	0	0
Miscellaneous	0	0	1,157	0
Total Additions	718,582	189,994	225,358	11,802,941
Deductions:				
Agency Remittances:				
To Other Funds	224,923	0	0	0
To Other Governments	165,140	180,140	212,211	11,204,980
Trusts Paid Out	319,900	0	0	0
Total Deductions	709,963	180,140	212,211	11,204,980
Balances – End of Year	\$344,769	\$177,122	\$253,557	\$11,006,480

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$432,004	\$3,787,679	\$279,914	\$5,210	\$359,282	\$499,338	\$16,515,774
746,168	4,104,603	308,481	0	0	191,097	16,878,974
0	0	0	0	0	156,677	156,677
26,779	236,131	17,335	1,831	0	11,041	981,628
0	0	0	0	126,299	0	126,299
0	0	0	0	0	0	389,739
0	0	0	0	0	4,008	4,008
0	0	0	0	4,662,547	0	4,662,547
0	0	0	226,651	0	0	226,651
0	0	0	0	0	195,632	524,475
0	0	0	0	0	169,693	170,850
772,947	4,340,734	325,816	228,482	4,788,846	728,148	24,121,848
0	0	0	0	195,901	0	420,824
465,011	4,085,493	301,459	213,434	4,560,029	449,276	21,837,173
0	0	0	0	0	199,163	519,063
465,011	4,085,493	301,459	213,434	4,755,930	648,439	22,777,060
\$739,940	\$4,042,920	\$304,271	\$20,258	\$392,198	\$579,047	\$17,860,562

FAYETTE COUNTY
West Union, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Property & Other County Tax	\$6,786,120	\$6,547,515	\$6,791,909	\$6,114,765
Interest & Penalty on Property Tax	61,403	61,756	58,178	56,928
Intergovernmental	7,228,246	6,381,634	5,704,492	6,210,061
Licenses & Permits	21,738	12,138	12,960	13,465
Charges For Service	1,100,754	890,214	1,010,667	770,110
Use of Money & Property	119,110	113,567	112,720	85,904
Miscellaneous	643,271	293,339	698,791	625,162
Total	\$15,960,642	\$14,300,163	\$14,389,717	\$13,876,395
Expenditures:				
Operating:				
Public Safety & Legal Services	\$2,671,416	\$2,614,895	\$2,534,123	\$2,521,531
Physical Health & Social Services	465,766	441,607	465,590	500,427
Mental Health	2,625,384	3,008,942	2,601,046	2,084,214
County Environment & Education	1,522,890	1,178,754	1,184,908	1,193,039
Roads & Transportation	5,522,067	4,945,001	4,264,820	4,757,452
Governmental Services to Residents	526,686	481,348	447,741	423,279
Administrative Services	1,111,843	1,062,389	1,050,785	1,007,943
Non-Program	5,164	5,740	5,112	5,344
Debt Service	359,505	355,425	350,760	350,705
Capital Projects	1,060,787	993,184	579,272	1,664,080
Total	\$15,871,508	\$15,087,285	\$13,484,157	\$14,508,014

See Accompanying Independent Auditors' Report

Schedule 5

Modified Accrual Basis					
2005	2004	2003	2002	2001	2000
\$5,838,552	\$5,493,685	\$5,107,226	\$4,574,459	\$4,168,049	\$4,181,969
54,595	67,632	53,612	53,322	50,574	54,065
6,440,864	5,442,011	5,664,850	5,084,488	5,658,027	5,939,022
11,020	10,878	13,715	7,670	6,350	8,245
721,585	884,792	530,343	391,664	362,300	304,087
44,624	36,395	67,301	163,119	307,749	305,623
380,778	318,134	386,408	310,797	302,974	262,450
<u>\$13,492,018</u>	<u>\$12,253,527</u>	<u>\$11,823,455</u>	<u>\$10,585,519</u>	<u>\$10,856,023</u>	<u>\$11,055,461</u>
\$2,383,632	\$2,276,495	\$2,171,440	\$1,797,555	\$1,626,159	\$1,467,242
492,420	490,076	490,642	483,477	453,240	404,503
2,119,523	1,998,575	1,736,300	1,719,738	1,604,760	1,455,915
1,163,043	1,208,766	1,354,060	1,578,895	1,021,274	1,266,108
4,715,512	3,867,734	3,948,329	4,327,550	4,497,788	4,333,150
466,890	433,422	419,276	365,967	349,098	364,764
902,783	874,104	1,108,297	890,472	872,784	914,783
5,774	5,881	8,324	38,426	7,416	13,425
350,199	349,305	348,024	271,533	0	0
947,247	531,894	2,522,122	2,950,955	917,272	426,385
<u>\$13,547,023</u>	<u>\$12,036,252</u>	<u>\$14,106,814</u>	<u>\$14,424,568</u>	<u>\$11,349,791</u>	<u>\$10,646,275</u>

FAYETTE COUNTY
West Union, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$14,714</u>
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grant/ Community Facilities Program	14.228		<u>262,516</u>
U.S. Department of Justice:			
Iowa Office of Justice			
STOP Violence Against Women	16.588	VW-09-63A	<u>7,899</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	2-06-HBRRS-034	138,164
		2-06-HBRRS-040	172,132
		2-07-HBRRS-003	3,609
		2-05-HBRRS-038	100,056
			<u>413,961</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	08-04, Task 28 09-04, Task 14	<u>10,975</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>13,602</u>
Refugee	93.566		<u>24</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,882</u>
Foster Care – Title IV-E	93.658		<u>8,281</u>
Adoption Assistance	93.659		<u>1,992</u>
Expansion Title XXI	93.676		<u>113</u>
Medical Assistance Program	93.778		<u>17,969</u>
Social Services Block Grant	93.667		<u>8,915</u>
Social Services Block Grant	93.667		<u>97,651</u>
			<u>106,566</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Recovery – Public Assistance	97.036	DR-1518, DR 1763	<u>616,377</u>
Emergency Management Performance Grant	97.042		<u>24,445</u>
Total			<u><u>\$1,503,316</u></u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

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

See accompanying independent auditor's report



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Fayette County
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fayette County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated April 22, 2010. 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 Fayette County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fayette County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fayette 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fayette County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fayette County's financial statements that is more than inconsequential will not be prevented or detected by Fayette County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fayette County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09, II-B-09 and II-C-09 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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.

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

April 22, 2010

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Fayette County
West Union, Iowa

Compliance

We have audited the compliance of Fayette County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. Fayette County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

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

In our opinion, Fayette County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

April 22, 2010

Gardiner Thomsen, P.C.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 97.036 – Disaster Recovery – Public Assistance
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Fayette County did not qualify as a low risk auditee.

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- II-A-09 SEGREGATION OF DUTIES - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Response– We have reviewed the procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the one individual will be separated and spread among the County Official, Deputy, and Clerk.

Conclusion – Response accepted.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

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

- II-B-09 FINANCIAL REPORTING – During our audit, we identified material amounts of receivables, payables and capital assets not recorded or incorrectly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

- II-C-09 PREPARATION OF FULL DISCLOSURE FINANCIAL STATEMENTS – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Fayette County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

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

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

Conclusion – Response acknowledged.

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

CFDA Number 20.205: Highway Planning and Construction
CFDA Number 97.036: Disaster Recovery – Public Assistance

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
CFDA Number 97.036: Disaster Recovery – Public Assistance

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 CERTIFIED BUDGET – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

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

Response – We will watch department appropriations more closely and will award additional appropriations when necessary.

Conclusion – Response accepted.

- IV-B-09 QUESTIONABLE EXPENDITURES – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
John Hintz	Jackets and Turtleneck for Advertising	\$191
The Rec Room	Jackets for Advertising	\$281
Myron Corp.	Pens for Advertising	\$363

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

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

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – Veterans Affairs should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – The grant has expired, but similar expenditures will continue if another grant permits it and is overseen by Veterans Affairs.

Conclusion – Response acknowledged.

IV-C-09 TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 BUSINESS TRANSACTIONS – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Madonna Baumler, Treasurer's Office Baumler Implement Company, Inc. – Partially owned Madonna's Spouse	Parts & Repairs for Secondary Road Vehicles	\$15,706
Rod Marlatt, Conservation Director Fauser Energy Resources – Owned by Father in Law	Diesel Fuel	\$289,627
Carol Keune – Community Services Les Keune Dentinator – Owned by Brother in Law	Vehicle Maintenance	\$857
Cindy Eyck, Auditor's Office GrassMasters, LLC – Owned by Sister	Dust Control Services	\$292
Cindy Wilkinson, Secondary Roads Office Neil Wilkinson, Cindy's Son	Juvenile Rent	\$3,500

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Fauser Energy Resources do not appear to represent conflicts of interest as the goods & services purchased from Fauser Energy Resources were obtained through contracts that were competitively bid, in writing, publicly invited and opened.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

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

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Baumler Implement Company, Inc. and Neil Wilkinson do not appear to represent conflicts of interest as Madonna Baumler nor Cindy Wilkinson were not directly involved in acquiring the services from Baumler Implement Company, Inc. and Neil Wilkinson.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Les Keune Dentinator and GrassMasters, LLC do not appear to represent conflicts of interest as the services provided were not in excess of \$1,500 as provided by Chapter 331.342 of the Code of Iowa.

IV-E-09 BOND COVERAGE – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-09 BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on June 1, 2009 to discuss matters relating to the County. The minutes record does not document final action taken in open session.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – This was an oversight. We will document final action taken in open session for all future closed sessions.

Conclusion – Response accepted.

IV-G-09 DEPOSITS AND INVESTMENTS – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-09 RESOURCE ENHANCEMENT AND PROTECTION CERTIFICATION – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-09 SEPARATELY MAINTAINED ACCOUNT – The Sheriff's Department maintains a Drug Buy fund separate from the County records. We noted a deposit of court awarded forfeiture funds into the Buy Fund during fiscal 2009. We also noted equipment for the Sheriff's drug trailer was purchased from the Buy Fund using the forfeited funds.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009**

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

Recommendation – All deposits of court awarded forfeited funds should be credited to the Sheriff's Forfeiture Fund, and all equipment purchased with forfeited funds should be purchased through the Sheriff's Forfeiture Fund, included in the Sheriff's budget and the County's claims and financial reporting process. The balance of the forfeited funds remaining in the Buy Fund should be credited to the Sheriff's Forfeiture Fund.

Response – We will deposit the remaining forfeiture funds immediately.

Conclusion – Response accepted.

IV-J-09 ECONOMIC DEVELOPMENT – During the year ended June 30, 2009, the County paid \$70,515 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

IV-K-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

IV-L-09 CREDIT CARD POLICY – Several departments have credit cards for use by various employees while on County business. The County does have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, it was noted that supporting documentation for the Sheriff was not always available to support credit card charges.

Recommendation – As required by the credit card policy, all claims for purchases by credit card should be supported by detailed invoices or other appropriate supporting documentation before payment.

Response – We will have sufficient appropriate supporting documentation available for credit card claims.

Conclusion – Response accepted.

NEWS RELEASE

Gardiner Thomsen today released an audit report on Fayette County, Iowa.

The County had local tax revenue of \$25,014,997 for the year ended June 30, 2009, which included \$1,362,123 in tax credits from the state. The County forwarded \$16,638,087 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,154,395 of the local tax revenue to finance County operations, a 3% increase from the prior year. Other revenues include charges for service of \$1,826,596, operating grants, contributions and restricted interest of \$5,862,531, capital grants, contributions and restricted interest of \$7,239,928, unrestricted investment earnings of \$40,565 and other general revenues of \$623,931.

Expenses for County operations total \$16,004,198, a 5% increase from the prior year. Expenses included \$6,444,671 for Road and Transportation, \$2,829,020 for Public Safety and Legal Services and \$2,613,299 for Mental Health Services.

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

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