



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE

March 16, 2012

515/281-5834

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

The County had local tax revenue of \$18,713,091 for the year ended June 30, 2011, which included \$661,662 in tax credits from the state. The County forwarded \$13,064,456 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,648,635 of the local tax revenue to finance County operations, a 8.4% increase over the prior year. Other revenues included charges for service of \$1,161,374, operating grants, contributions and restricted interest of \$4,073,785, capital grants, contributions and restricted interest of \$1,397,080, local option sales tax of \$486,999, unrestricted investment earnings of \$143,901 and other general revenues of \$342,964.

Expenses for County operations totaled \$14,319,413, a 39.7% increase over the prior year. Expenses included \$6,585,936 for roads and transportation, \$1,838,463 for mental health and \$1,456,436 for public safety and legal 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 Office of Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0088-B00F.pdf>.

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UNION COUNTY

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

JUNE 30, 2011

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Union County

Officials

Before January 2011

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

After January 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert G. Brown	Board of Supervisors	Jan 2013
Robert Jansen	Board of Supervisors	Jan 2013
Dennis Brown	Board of Supervisors	Jan 2013*
Lois Monday	Board of Supervisors	Jan 2013*
Ron Riley	Board of Supervisors	Jan 2013*
Sandy Hysell	County Auditor	Jan 2013
Kelly Busch	County Treasurer	Jan 2015
Paula White	County Recorder	Jan 2015
Rick L. Piel	County Sheriff	Jan 2013
Timothy R. Kenyon	County Attorney	Jan 2015
Steven Gene Haner	County Assessor	Jan 2016

* - Board member terms were reduced to 2 years to begin the Board of Supervisor's transition plan for changing from a 5 member board to a 3 member board.

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Independent Auditor's Report

To the Officials of Union County:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Union County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2012 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 and for the four years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011, along with comparative data for the year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 19.4%, or approximately \$2,156,000, from fiscal year 2010 to fiscal year 2011. Property and other county tax increased approximately \$441,000 over fiscal year 2010. Operating grants, contributions and restricted interest increased approximately \$490,000, charges for service increased approximately \$269,000 and capital grants, contributions and restricted interest increased approximately \$943,000.
- Program expenses of the County's governmental activities increased 39.7%, or approximately \$4,071,000. Mental health expenses increased approximately \$674,000, roads and transportation expenses increased approximately \$2,144,000 and county environment and education expenses increased approximately \$591,000.
- The County's net assets decreased approximately \$1,065,000 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 15,290,904	\$ 16,180,056
Capital assets	15,236,265	9,287,197
Total assets	<u>30,527,169</u>	<u>25,467,253</u>
Long-term liabilities	15,921,709	9,779,550
Other liabilities	7,151,530	7,169,098
Total liabilities	<u>23,073,239</u>	<u>16,948,648</u>
Net assets:		
Invested in capital assets, net of related debt	5,203,375	5,650,905
Restricted	3,933,671	3,119,795
Unrestricted	(1,683,116)	(252,095)
Total net assets	<u>\$ 7,453,930</u>	<u>8,518,605</u>

Net assets of Union County's governmental activities decreased 13%, or \$1,064,675, during the year. A portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from \$(252,095) at June 30, 2010 to \$(1,683,116) at the end of this year, primarily due to an increase in roads and transportation expenses and capital projects undertaken during the fiscal year.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,161,374	\$ 891,886
Operating grants, contributions and restricted interest	4,073,785	3,583,936
Capital grants, contributions and restricted interest	1,397,080	453,598
General revenues:		
Property and other county tax	5,127,662	4,686,688
Tax increment financing	315,704	310,547
Penalty and interest on property tax	103,411	108,755
State tax credits	205,269	211,941
Local option sales tax	486,999	495,017
Grants and contributions not restricted to specific purposes	39,656	37,751
Unrestricted investment earnings	143,901	179,594
Gain on disposition of capital assets	6,106	82,464
Other general revenues	193,791	56,367
Total revenues	13,254,738	11,098,544
Program expenses:		
Public safety and legal services	1,456,436	1,409,910
Physical health and social services	501,598	506,989
Mental health	1,838,463	1,164,485
County environment and education	1,225,814	634,725
Roads and transportation	6,585,936	4,442,466
Governmental services to residents	470,354	423,071
Administration	1,445,123	1,034,719
Interest on long-term debt	494,135	458,510
Non-program	301,554	173,475
Total expenses	14,319,413	10,248,350
Increase in net assets	(1,064,675)	850,194
Net assets beginning of year	8,518,605	7,668,411
Net assets end of year	\$ 7,453,930	8,518,605

Overall, revenues increased approximately \$2,156,000, or 19.4%, during the year. The increase is primarily due to an increase in capital and operating grants, contributions and restricted interest.

The cost of all governmental activities this year was approximately \$14.3 million compared to approximately \$10.2 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$7.7 million because some of the cost was paid by those directly benefited from the programs (\$1,161,374) or by other governments and organizations which subsidized certain programs with grants and contributions (\$5,470,865). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$4,930,000 to approximately \$6,632,239, principally due to receiving more in pass through funds from a Community Development Block Grant (CDBG) and capital contributions from the Iowa Department of Transportation in fiscal year 2011. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of \$8,009,929 compared to of \$8,702,360 at June 30, 2010, a decrease of \$692,431. The decrease in fund balance is primarily attributable to an increase in capital project expenditures from fiscal year 2010 to fiscal year 2011.

- The General Fund, the operating fund for Union County, ended fiscal year 2011 with a balance of \$648,307, a decrease of \$145,373 from the fiscal year 2010 ending balance of \$793,680. Revenues and expenditures each include approximately \$700,000 due to the County passing through Community Development Block Grant (CDBG) funds to the City of Creston. Expenditures also increased due to approximately \$500,000 of additional litigation costs in fiscal year 2011.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end decreased \$191,366, from a positive fund balance of \$29,166 to a deficit fund balance of \$162,200. In fiscal year 2010, the County experienced a substantial reduction in revenue, specifically in the areas of allowable growth and mental health community service fund allocation. Overall revenues were reduced approximately \$304,000. Also, the County made a concerted effort to hold down expenditures in fiscal year 2010 as a result of running a deficit fund balance during fiscal years 2008 and 2009. In addition, funding increased for the allowable growth and mental health community service fund allocation during fiscal year 2011. Total funding increased approximately \$150,000, allowing for growth in overall expenditures during the fiscal year.
- The Special Revenue, Rural Services Fund ending fund balance decreased \$28,549, or 9.1%, from the prior year to \$285,836. Revenues increased 2% while expenditures increased 11%, primarily due to an increase of \$38,000 in road clearing costs over fiscal year 2010.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2011 with a \$1,315,260 fund balance, a decrease of \$417,484 compared to the prior year ending fund balance of \$1,732,744. The decrease in fund balance is primarily due to an increase in roads and transportation expenditures for various road repair projects partially funded with disaster assistance grants and equipment purchases.
- The Debt Service Fund balance increased from \$1,593,322 at the end of fiscal year 2010 to \$1,600,409 at the end of fiscal year 2011. Property tax revenue increased approximately \$392,500, or 39.6%, due to an increase in the debt service levy from \$2.48575 per \$1,000 of taxable valuation in fiscal year 2010 to \$3.38357 per \$1,000 of taxable valuation in fiscal year 2011. In addition, the fund balance includes \$1,285,599 due from the Prairie Solid Waste Agency to repay the County for general obligation solid waste disposal notes issued for the Agency.
- The Capital Projects Fund had a slight increase in fund balance, from \$3,916,237 at the end of fiscal year 2010 to \$3,921,764 at the end of fiscal year 2011, or approximately \$5,500. The County issued debt of \$4,438,587, primarily for road and bridge projects, and had capital project expenditures of \$6,367,677. In addition, the fund balance includes approximately \$2.79 million of bond proceeds to be used in July 2011 to refund the series 2004 general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget three times. The amendments were made in November 2010, April 2011 and May 2011 and resulted in an increase in budgeted disbursements, primarily due to increases for legal fees, capital project payments and the CDBG pass through grant for the City of Creston.

The County's receipts were \$469,221 less than budgeted, a variance of 3.9%. The most significant variance resulted from miscellaneous receipts being less than expected.

Total disbursements were \$2,589,386 more than the amended budget. Actual disbursements for capital projects were \$3,346,196 more than budgeted. This was primarily due to the undertaking and completion of a number of capital projects during the year.

The County's disbursements exceeded the amounts budgeted for the capital projects and debt service functions for the year ended June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Union County had approximately \$15.2 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$5,900,000, or 64%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 253,619	253,619
Buildings	654,817	634,099
Improvements other than buildings	29,325	31,684
Equipment and vehicles	1,549,553	1,467,001
Infrastructure	12,748,951	6,900,794
Total	\$ 15,236,265	9,287,197
This year's major additions included:		
County conservation department buildings		\$ 71,942
Secondary roads department equipment		225,792
Secondary roads department infrastructure		6,215,153
Total		\$ 6,512,887

Union County had depreciation expense of \$742,208 in fiscal year 2011 and total accumulated depreciation of \$5,398,757 at June 30, 2011. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2011 Union County had approximately \$15,424,000 in general obligation bonds, notes and other debt outstanding, compared to approximately \$9,477,000 at June 30, 2010, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation bonds	\$ 13,536	7,289
General obligation notes	410	610
General obligation solid waste disposal notes	1,290	1,345
Rural development loan	3	7
Capital lease purchase agreements	185	226
Total	\$ 15,424	9,477

In fiscal year 2011, the County issued \$7,280,000 of general obligation bonds. These bonds included \$2.725 million to refund general obligation bonds. These bonds will be used in July 2011 to refund, as a current refunding, the outstanding principal at June 30, 2011 of the general obligation urban renewal refunding bonds, series 2004. Principal paid on the general obligation bonds and notes totaled \$1,288,877 during the year ended June 30, 2011. Principal payments made in fiscal year 2011 on the capital lease purchase agreements totaled \$41,100.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$35 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the county now stands at 6.4% versus 5.7% a year ago. This compares with the State's unemployment rate of 5.6% and the national rate of 9.1%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$12.2 million, a decrease of 16% over the fiscal year 2011 budget. The property tax rate for urban areas remained nearly the same for fiscal year 2012 while property tax rates in rural areas declined from \$15.162 per \$1000 of taxable valuation to \$14.999 per \$1,000 of taxable valuation. This, coupled with the fact the County took an aggressive approach in fiscal year 2011 and issued significant debt for road and bridge projects with no plans to issue any additional debt in fiscal year 2012, is the reason for the decrease in budgeted revenues.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Union County

Basic Financial Statements

Exhibit A

Union County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,646,910
Receivables:	
Property tax:	
Delinquent	27,048
Succeeding year	5,648,000
Interest and penalty on property tax	44,854
Loan	1,235,599
Accounts	17,315
Due from other governments	473,538
Inventories	197,640
Capital assets (net of accumulated depreciation)	15,236,265
Total assets	<u>30,527,169</u>
Liabilities	
Accounts payable	627,551
Salaries and benefits payable	45,408
Accrued interest	50,196
Due to other governments	765,646
Deferred revenue:	
Succeeding year property tax	5,648,000
Other	14,729
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	43,527
General obligation bonds	3,798,877
General obligation notes	205,000
General obligation solid waste disposal notes	60,000
Rural development loan	3,450
Compensated absences	92,008
Portion due or payable after one year:	
Capital lease purchase agreement	141,373
General obligation bonds	9,736,597
General obligation notes	205,000
General obligation solid waste disposal notes	1,230,000
Compensated absences	61,877
Net OPEB liability	344,000
Total liabilities	<u>23,073,239</u>
Net Assets	
Invested in capital assets, net of related debt	5,203,375
Restricted for:	
Supplemental levy purposes	91,548
Rural services	285,836
Secondary roads purposes	1,405,038
Debt service	1,555,738
Capital projects	85,060
Other purposes	510,451
Unrestricted	(1,683,116)
Total net assets	<u>\$ 7,453,930</u>

See notes to financial statements.

Union County
Statement of Activities
Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,456,436	112,769	17,736	-	(1,325,931)
Physical health and social services	501,598	53,171	83,502	-	(364,925)
Mental health	1,838,463	15,132	883,300	-	(940,031)
County environment and education	1,225,814	174,134	763,346	-	(288,334)
Roads and transportation	6,585,936	301,274	2,325,901	1,397,080	(2,561,681)
Governmental services to residents	470,354	210,065	-	-	(260,289)
Administration	1,445,123	25,281	-	-	(1,419,842)
Interest on long-term debt	494,135	-	-	-	(494,135)
Non-program	301,554	269,548	-	-	(32,006)
Total	14,319,413	1,161,374	4,073,785	1,397,080	(7,687,174)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,746,070
Debt service					1,381,592
Tax increment financing					315,704
Penalty and interest on property tax					103,411
State tax credits					205,269
Local option sales tax					486,999
Grants and contributions not restricted to specific purposes					39,656
Unrestricted investment earnings					143,901
Gain on disposition of capital assets					6,106
Miscellaneous					193,791
Total general revenues					6,622,499
Change in net assets					(1,064,675)
Net assets beginning of year					8,518,605
Net assets end of year					\$ 7,453,930

See notes to financial statements.

Union County
Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 800,947	606,408	279,741	1,195,119
Receivables:				
Property tax:				
Delinquent	8,932	2,791	1,392	-
Succeeding year	2,669,000	729,000	749,000	-
Interest and penalty on property tax	44,854	-	-	-
Loan	-	-	-	-
Accounts	3,382	2,037	-	-
Due from other governments	59,785	-	26,197	387,556
Inventories	-	-	-	197,640
Total assets	\$ 3,586,900	1,340,236	1,056,330	1,780,315
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 164,791	34,827	15,721	250,933
Salaries and benefits payable	21,215	-	4,381	19,812
Due to other governments	29,801	735,818	-	27
Deferred revenue:				
Succeeding year property tax	2,669,000	729,000	749,000	-
Other	53,786	2,791	1,392	194,283
Total liabilities	2,938,593	1,502,436	770,494	465,055
Fund balances:				
Nonspendable:				
Inventories	-	-	-	197,640
Restricted for:				
Supplemental levy purposes	88,195	-	-	-
Rural services purposes	-	-	285,836	-
Secondary roads purposes	-	-	-	1,117,620
Conservation land acquisition/ capital improvements	31,520	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	6,498	-	-	-
Commisary	4,924	-	-	-
Inmate medical	36,695	-	-	-
Unassigned	480,475	(162,200)	-	-
Total fund balances	648,307	(162,200)	285,836	1,315,260
Total liabilities and fund balances	\$ 3,586,900	1,340,236	1,056,330	1,780,315

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
364,810	3,934,195	400,553	7,581,773
5,525	-	8,408	27,048
1,186,000	-	315,000	5,648,000
-	-	-	44,854
1,235,599	-	-	1,235,599
-	-	-	5,419
-	-	-	473,538
-	-	-	197,640
<u>2,791,934</u>	<u>3,934,195</u>	<u>723,961</u>	<u>15,213,871</u>

-	12,431	-	478,703
-	-	-	45,408
-	-	-	765,646
1,186,000	-	315,000	5,648,000
5,525	-	8,408	266,185
<u>1,191,525</u>	<u>12,431</u>	<u>323,408</u>	<u>7,203,942</u>

-	-	-	197,640
-	-	-	88,195
-	-	-	285,836
-	-	-	1,117,620
-	-	-	31,520
1,600,409	-	-	1,600,409
-	3,921,764	-	3,921,764
-	-	400,553	400,553
-	-	-	6,498
-	-	-	4,924
-	-	-	36,695
-	-	-	318,275
<u>1,600,409</u>	<u>3,921,764</u>	<u>400,553</u>	<u>8,009,929</u>
<u>2,791,934</u>	<u>3,934,195</u>	<u>723,961</u>	<u>15,213,871</u>

Union County

Union County

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

June 30, 2011

Total governmental fund balances (page 19)	\$ 8,009,929
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,635,022 and the accumulated depreciation is \$5,398,757.	15,236,265
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	251,456
The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	(71,815)
Long-term liabilities, including capital lease purchase agreements payable, bonds, notes and loans payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(15,971,905)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 7,453,930</u></u>

See notes to financial statements.

Union County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,301,818	719,307	774,561	-
Local option sales tax	104,183	-	143,556	239,260
Tax increment financing	-	-	-	-
Interest and penalty on property tax	58,557	-	-	-
Intergovernmental	936,920	912,658	77,379	2,420,165
Licenses and permits	2,532	-	18,920	1,438
Charges for service	473,738	-	324	1,500
Use of money and property	102,152	-	-	-
Miscellaneous	66,948	15,132	-	230,616
Total revenues	<u>4,046,848</u>	<u>1,647,097</u>	<u>1,014,740</u>	<u>2,892,979</u>
Expenditures:				
Operating:				
Public safety and legal services	1,207,855	-	155,370	-
Physical health and social services	376,309	-	96,119	-
Mental health	-	1,838,463	-	-
County environment and education	1,084,262	-	96,025	-
Roads and transportation	-	-	110,072	4,436,967
Governmental services to residents	395,929	-	-	-
Administration	1,583,489	-	-	-
Capital projects	-	-	-	18,740
Debt service	-	-	-	-
Total expenditures	<u>4,647,844</u>	<u>1,838,463</u>	<u>457,586</u>	<u>4,455,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(600,996)</u>	<u>(191,366)</u>	<u>557,154</u>	<u>(1,562,728)</u>
Other financing sources (uses):				
Sale of capital assets	350	-	-	5,756
Operating transfers in	406,000	-	-	1,139,488
Operating transfers out	(67,140)	-	(585,703)	-
General obligation bonds issued	116,413	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	<u>455,623</u>	<u>-</u>	<u>(585,703)</u>	<u>1,145,244</u>
Net change in fund balances	(145,373)	(191,366)	(28,549)	(417,484)
Fund balances beginning of year, as restated	<u>793,680</u>	<u>29,166</u>	<u>314,385</u>	<u>1,732,744</u>
Fund balances end of year	<u>\$ 648,307</u>	<u>(162,200)</u>	<u>285,836</u>	<u>1,315,260</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,381,592	-	-	5,177,278
-	-	-	486,999
-	-	315,704	315,704
-	-	-	58,557
67,726	-	17,170	4,432,018
-	-	-	22,890
-	-	2,251	477,813
35,662	52,718	3,500	194,032
83,359	200	-	396,255
1,568,339	52,918	338,625	11,561,546
-	-	-	1,363,225
-	-	1,500	473,928
-	-	-	1,838,463
-	-	5,014	1,185,301
-	-	-	4,547,039
-	-	2,184	398,113
-	-	-	1,583,489
-	6,367,677	-	6,386,417
1,561,252	-	252,200	1,813,452
1,561,252	6,367,677	260,898	19,589,427
7,087	(6,314,759)	77,727	(8,027,881)
-	-	-	6,106
-	13,355	-	1,558,843
-	(906,000)	-	(1,558,843)
-	7,163,587	-	7,280,000
-	49,344	-	49,344
-	6,320,286	-	7,335,450
7,087	5,527	77,727	(692,431)
1,593,322	3,916,237	322,826	8,702,360
1,600,409	3,921,764	400,553	8,009,929

Union County

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

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 23) \$ (692,431)

**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	\$ 5,294,196	
Capital assets contributed by the Iowa Department of Transportation	1,397,080	
Depreciation expense	<u>(742,208)</u>	5,949,068

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

Property tax	(49,616)	
Other	<u>18,765</u>	(30,851)

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

Issued	(7,280,000)	
Repaid	<u>1,333,402</u>	(5,946,598)

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

Compensated absences	(24,512)	
Other postemployment benefits	(171,049)	
Interest on long-term debt	<u>(14,539)</u>	(210,100)

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

(133,763)

Change in net assets of governmental activities (page 17) \$ (1,064,675)

See notes to financial statements.

Union County
Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash	\$ 65,137
Accounts receivable	11,896
Total assets	<u>77,033</u>
Liabilities	
Accounts payable	<u>148,848</u>
Net Assets	
Unrestricted	<u>\$ (71,815)</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2011

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,008,292
Reimbursements from employees and retirees		85,704
Insurance reimbursements		<u>137,881</u>
Total operating revenues		1,231,877
Operating expenses:		
Medical claims	\$ 1,137,112	
Insurance premiums	153,177	
Administrative fee	67,411	
Miscellaneous	<u>10,300</u>	<u>1,368,000</u>
Operating loss		(136,123)
Non-operating revenues:		
Interest income		<u>2,360</u>
Net loss		(133,763)
Net assets beginning of year		<u>61,948</u>
Net assets end of year		<u>\$ (71,815)</u>

See notes to financial statements.

Union County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2011

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 999,345
Cash received from employees and retirees	85,704
Cash received from insurance reimbursements	137,881
Cash paid to suppliers for services	(1,368,197)
Net cash used by operating activities	(145,267)
Cash flows from investing activities:	
Interest on investments	2,421
Proceeds from maturity of investments	150,000
Net cash provided by investing activities	152,421
Net increase in cash and cash equivalents	7,154
Cash and cash equivalents beginning of year	57,983
Cash and cash equivalents end of year	\$ 65,137
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (136,123)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(197)
Increase in accounts receivable	(8,947)
Net cash used by operating activities	\$ (145,267)

See notes to financial statements.

Union County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,119,594
Other County officials	30,862
Receivables:	
Property tax:	
Delinquent	45,499
Succeeding year	11,638,000
Accounts	250
Special assessments	7,843
Due from other governments	9,034
Total assets	<u>13,851,082</u>

Liabilities

Accounts payable	182,370
Salaries and benefits payable	6,953
Due to other governments	13,572,290
Trusts payable	80,364
Compensated absences	9,105
Total liabilities	<u>13,851,082</u>

Net assets

\$ -

See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment and vehicles	2 - 20

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

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

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

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

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

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

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

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

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

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

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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, 2011, disbursements exceeded the amounts budgeted in the debt service and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

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

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

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

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 406,000
Special Revenue:		
Secondary Roads	General	59,285
	Special Revenue:	
	Rural Services	580,203
	Capital Projects	500,000
Capital Projects	General	7,855
	Special Revenue:	
	Rural Services	5,500
Total		<u>\$ 1,558,843</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Capital assets being depreciated:				
Buildings	1,971,739	71,942	-	2,043,681
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	3,690,370	404,181	60,820	4,033,731
Infrastructure, road network	8,040,636	6,215,153	-	14,255,789
Total capital assets being depreciated	<u>13,750,947</u>	<u>6,691,276</u>	<u>60,820</u>	<u>20,381,403</u>
Less accumulated depreciation for:				
Buildings	1,337,640	51,223	-	1,388,863
Improvements other than buildings	16,518	2,360	-	18,878
Equipment and vehicles	2,223,369	321,629	60,820	2,484,178
Infrastructure, road network	1,139,842	366,996	-	1,506,838
Total accumulated depreciation	<u>4,717,369</u>	<u>742,208</u>	<u>60,820</u>	<u>5,398,757</u>
Total capital assets being depreciated, net	<u>9,033,578</u>	<u>5,949,068</u>	<u>-</u>	<u>14,982,646</u>
Governmental activities capital assets, net	<u>\$ 9,287,197</u>	<u>5,949,068</u>	<u>-</u>	<u>15,236,265</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 14,708
Physical health and social services	26,613
County environment and education	26,514
Roads and transportation	617,744
Administration	56,629
Total depreciation expense - governmental activities	<u>\$ 742,208</u>

(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	\$ 29,801
Special Revenue:		
Mental Health	Services	735,818
Secondary Roads		27
Total for governmental funds		<u>\$ 765,646</u>
Agency:		
County Assessor	Collections	\$ 297,963
County Hospital		1,125,079
Schools		6,523,652
Community Colleges		322,829
Corporations		3,371,911
Townships		167,435
Auto License and Use Tax		283,824
Prairie Solid Waste		1,229,742
All other		249,855
Total for agency funds		<u>\$ 13,572,290</u>

(6) Long-Term Liabilities

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

	Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Notes	General Obligation		Rural Development Loan	Compensated Absences	Net OPEB Liability	Total
				Waste	Disposal				
Balance beginning of year	\$ 226,000	7,289,351	610,000	1,345,000		6,875	129,373	172,951	9,779,550
Increases	-	7,280,000	-	-		-	158,030	203,049	7,641,079
Decreases	41,100	1,033,877	200,000	55,000		3,425	133,518	32,000	1,498,920
Balance end of year	\$ 184,900	13,535,474	410,000	1,290,000		3,450	153,885	344,000	15,921,709
Due within one year	\$ 43,527	3,798,877 *	205,000	60,000		3,450	92,008	-	4,202,862

* Net of \$134,526 of unamortized discount at June 30, 2011.

Capital Lease Purchase Agreement

On April 26, 2010, the County entered into a capital lease purchase agreement to lease a motor grader with a historical cost of \$226,000. The following is a schedule of future minimum lease payments, including interest at 3.95% per annum, and the present value of net minimum payments under the agreement in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 49,155
2013	49,155
2014	49,155
2015	49,155
Total minimum lease payments	<u>196,620</u>
Less amount representing interest	<u>11,720</u>
Present value of net minimum lease payments	<u>\$ 184,900</u>

Payments under the capital lease purchase agreement totaled \$49,155 for the year ended June 30, 2011.

General Obligation Bonds

During the year ended June 30, 2011, the County issued \$3,300,000 of general obligation urban renewal county road and refunding bonds to refund \$2,725,000 of Series 2004 general obligation bonds. The Series 2004 general obligation bonds will be refunded in July 2011. The County also issued \$3,980,000 of general obligation county purpose bonds. A summary of the County's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2004				Series 2009			
	Issued June 1, 2004				Issued October 16, 2009			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2012	3.60%	\$ 2,725,000	12,280	2,737,280	3.00%	\$ 370,000	199,407	569,407
2013		-	-	-	3.50	320,000	188,308	508,308
2014		-	-	-	4.00	330,000	177,107	507,107
2015		-	-	-	4.40	285,000	163,908	448,908
2016		-	-	-	4.80	290,000	151,368	441,368
2017-2021		-	-	-	5.20 - 6.15	1,605,000	516,563	2,121,563
2022-2024		-	-	-	6.30 - 6.40	715,000	68,445	783,445
Total		\$ 2,725,000	12,280	2,737,280		\$ 3,915,000	1,465,106	5,380,106

Year Ending June 30,	Series 2010				Series 2011			
	Issued September 29, 2010				Issued June 29, 2011			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2012	1.00%	\$ 250,000	91,323	341,323	2.00%	\$ 500,000	61,932	561,932
2013	1.25	250,000	88,823	338,823	2.00	500,000	57,155	557,155
2014	1.50	260,000	85,698	345,698	2.00	510,000	47,155	557,155
2015	1.75	265,000	81,798	346,798	2.00	515,000	36,955	551,955
2016	2.00	265,000	77,160	342,160	2.00	525,000	26,655	551,655
2017-2021	2.20 - 3.10	1,435,000	290,970	1,725,970	2.00 - 3.00	750,000	30,850	780,850
2022-2024	3.20 - 3.40	1,005,000	67,700	1,072,700		-	-	-
Total		\$ 3,730,000	783,472	4,513,472		\$ 3,300,000	260,702	3,560,702

Year Ending June 30,	Total		
	Principal	Interest	Total
	2012	\$ 3,845,000	364,942
2013	1,070,000	334,286	1,404,286
2014	1,100,000	309,960	1,409,960
2015	1,065,000	282,661	1,347,661
2016	1,080,000	255,183	1,335,183
2017-2021	3,790,000	838,383	4,628,383
2022-2024	1,720,000	136,145	1,856,145
Total	\$ 13,670,000	2,521,560	16,191,560

The refunding will reduce total debt service payments over the next six years by \$128,046 and result in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$121,219.

During the year ended June 30, 2011, the County retired \$1,080,000 of general obligation bonds.

General Obligation Notes

A summary of the County's June 30, 2011 general obligation note indebtedness is as follows:

Year Ending June 30,	Series 2007			Series 2008		
	Issued May 1, 2007			Issued April 1, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	3.80%	\$ 60,000	4,535	3.15%	\$ 145,000	9,443
2013	4.00	10,000	2,255	3.25	150,000	4,875
2014	4.00	10,000	1,855	-	-	-
2015	4.10	10,000	1,455	-	-	-
2016	4.15	10,000	1,045	-	-	-
2017	4.20	15,000	630	-	-	-
Total		\$ 115,000	11,775		\$ 295,000	14,318

Year Ending June 30,	Total		
	Principal	Interest	Total
2012	205,000	13,978	218,978
2013	160,000	7,130	167,130
2014	10,000	1,855	11,855
2015	10,000	1,455	11,455
2016	10,000	1,045	11,045
2017	15,000	630	15,630
Total	410,000	26,093	\$ 436,093

During the year ended June 30, 2011, the County retired \$200,000 of general obligation notes.

General Obligation Solid Waste Disposal Notes

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

A summary of the County's June 30, 2011 general obligation solid waste disposal note indebtedness is as follows:

Year Ending June 30,	Series 2007B			
	Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2012	4.100%	\$ 60,000	54,644	114,644
2013	4.100	60,000	52,184	112,184
2014	4.100	65,000	49,724	114,724
2015	4.100	65,000	47,059	112,059
2016	4.150	70,000	44,394	114,394
2017-2021	4.150-4.200	385,000	176,826	561,826
2022-2026	4.300-4.375	475,000	88,181	563,181
2027	4.375	110,000	4,813	114,813
Total		\$ 1,290,000	517,825	1,807,825

During the year ended June 30, 2011, the County retired \$55,000 of general obligation solid waste disposal notes.

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lake Lodge operated by the Union County Conservation Board. The final payment of \$3,450 is due during fiscal year 2012.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$194,686 \$172,352 and \$157,161, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Tri-Star Benefits. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 205,000
Interest on net OPEB obligation	8,049
Adjustment to annual required contribution	<u>(10,000)</u>
Annual OPEB cost	203,049
Contributions made	<u>(32,000)</u>
Increase in net OPEB obligation	171,049
Net OPEB obligation beginning of year	<u>172,951</u>
 Net OPEB obligation end of year	 <u>\$ 344,000</u>

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

For the year ended June 30, 2011, the County contributed \$32,000 to the medical plan. Plan members eligible for benefits contributed \$31,000, or 49% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 204,600	15.5%	\$172,951
2011	203,049	15.8%	344,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,260,688, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,260,688. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,205,000 and the ratio of the UAAL to covered payroll was 57.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for

the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the FP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

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

(9) Risk Management

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

(10) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$1,008,292.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$148,848, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year

and current year claims. At June 30, 2011, a deficit of \$71,815 was reported for the Internal Service, Employee Group Health Fund. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 149,045
Incurred claims (including claims incurred but not reported at June 30, 2011)	1,137,112
Claims paid	<u>1,137,309</u>
Unpaid claims at June 30, 2011	<u>\$ 148,848</u>

(11) Jointly Governed Organization

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2011:

Additions:

Contributions from governmental units:		
Union County	\$ 70,069	
City of Creston	<u>13,609</u>	\$ 89,176
Miscellaneous		<u>340</u>
Total additions		84,018

Deductions:

Office supplies	3,659	
Telephone	11,159	
Computer software maintenance	8,653	
Office equipment and repair	3,297	
Contractual services	17,331	
Inmate supplies	1,339	
Janitorial	3,367	
Utilities	33,597	
Sanitation	1,402	
Building improvements	6,428	
Miscellaneous	<u>1,276</u>	<u>91,508</u>
Net		(7,490)
Balance beginning of year		<u>21,552</u>
Balance end of year		<u>\$ 14,062</u>

(13) Accounting Change/Restatement

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

Fund	Balances June 30, 2010, as previously reported	Change in fund type classification per implementation of GASB Statement No.54	Balance July 1, 2010, as restated
General	\$ 678,857	114,823	793,680
Special Revenue:			
Conservation Land Acquisition	25,675	(25,675)	-
Care Facility Depreciation	58,996	(58,996)	-
Commissary	8,457	(8,457)	-
Inmate Medical	21,695	(21,695)	-
Water Grid	16,112	(16,112)	-
Capital Projects	3,900,125	16,112	3,916,237
Total	\$ 4,709,917	-	4,709,917

(14) Deficit Balance

At June 30, 2011, the Special Revenue, Mental Health fund has a deficit balance of \$162,200. The deficit will be eliminated upon receipt of future State mental health funds. .

(15) Subsequent Event

In July 2011, the County retired the Series 2004 general obligation bonds from the proceeds from the issuance of \$3,300,000 of general obligation urban renewal county roads and refunding bonds.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2011

	Actual
Receipts:	
Property and other county tax	\$ 5,968,970
Interest and penalty on property tax	58,557
Intergovernmental	4,331,350
Licenses and permits	22,841
Charges for service	485,880
Use of money and property	191,304
Miscellaneous	513,707
Total receipts	11,572,609
Disbursements:	
Public safety and legal services	1,428,469
Physical health and social services	521,138
Mental health	1,529,193
County environment and education	1,197,745
Roads and transportation	4,388,005
Governmental services to residents	397,182
Administration	1,467,876
Debt service	1,816,877
Capital projects	6,876,913
Total disbursements	19,623,398
Excess (deficiency) of receipts over (under) disbursements	(8,050,789)
Other financing sources, net	7,829,582
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(221,207)
Balance beginning of year	7,802,980
Balance end of year	\$ 7,581,773

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,014,907	6,014,907	(45,937)
16,334	16,334	42,223
3,413,075	4,351,475	(20,125)
25,710	25,710	(2,869)
383,244	383,244	102,636
110,640	110,640	80,664
80,100	1,139,520	(625,813)
10,044,010	12,041,830	(469,221)
1,339,070	1,540,600	112,131
429,206	588,810	67,672
1,562,100	1,562,100	32,907
525,058	1,363,308	165,563
4,036,610	4,645,510	257,505
449,499	449,499	52,317
904,150	1,559,309	91,433
1,794,159	1,794,159	(22,718)
2,928,437	3,530,717	(3,346,196)
13,968,289	17,034,012	(2,589,386)
(3,924,279)	(4,992,182)	(3,058,607)
5,830,998	6,365,196	1,464,386
1,906,719	1,373,014	(1,594,221)
3,761,622	3,761,622	4,041,358
5,668,341	5,134,636	2,447,137

Union County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,572,609	(11,063)	11,561,546
Expenditures	19,623,398	(33,971)	19,589,427
Net	(8,050,789)	22,908	(8,027,881)
Other financing sources, net	7,829,582	(494,132)	7,335,450
Beginning fund balances	7,802,980	899,380	8,702,360
Ending fund balances	\$ 7,581,773	428,156	8,009,929

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$3,065,723. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the capital projects and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Union County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,261	1,261	0.00%	\$ 2,205	57.2%
2011	Jul 1, 2009	-	1,261	1,261	0.00	2,205	57.2

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

Other Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

		Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Assets				
Cash and pooled investments	\$	1,586	85,220	27,552
Receivables:				
Property tax:				
Delinquent		-	-	-
Succeeding year		-	-	-
Total assets	\$	1,586	85,220	27,552
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$	-	-	-
Other		-	-	-
Total liabilities		-	-	-
Fund balances:				
Restricted for other purposes		1,586	85,220	27,552
Total liabilities and fund balances	\$	1,586	85,220	27,552

See accompanying independent auditor's report.

Special Revenue			
Care Facility Trust	COOP Urban Renewal	Charitable/Educational	Total
115,821	141,909	28,465	400,553
-	8,408	-	8,408
-	315,000	-	315,000
115,821	465,317	28,465	723,961
-	315,000	-	315,000
-	8,408	-	8,408
-	323,408	-	323,408
115,821	141,909	28,465	400,553
115,821	465,317	28,465	723,961

Union County

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

Year ended June 30, 2011

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	13,135	-
Charges for service	-	-	2,251
Use of money and property	-	878	315
Total revenues	<u>-</u>	<u>14,013</u>	<u>2,566</u>
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	5,014	-	-
Governmental services to residents	-	-	2,184
Debt service	-	-	-
Total expenditures	<u>5,014</u>	<u>-</u>	<u>2,184</u>
Excess (deficiency) of revenues over (under) expenditures	(5,014)	14,013	382
Fund balances beginning of year, as restated	6,600	71,207	27,170
Fund balances end of year	<u>\$ 1,586</u>	<u>85,220</u>	<u>27,552</u>

See accompanying independent auditor's report.

Special Revenue				
Care Facility Trust	COOP Urban Renewal	Charitable/ Educational		Total
-	315,704	-		315,704
-	4,035	-		17,170
-	-	-		2,251
2,307		-		3,500
2,307	319,739	-		338,625
1,500	-	-		1,500
-	-	-		5,014
-	-	-		2,184
-	252,200	-		252,200
1,500	252,200	-		260,898
807	67,539	-		77,727
115,014	74,370	28,465		322,826
115,821	141,909	28,465		400,553

Union County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,608	103,707	15,779
Other County officials	30,862	-	-	-
Receivables:				
Property tax:				
Delinquent	-	441	900	4,300
Succeeding year	-	118,000	207,000	1,105,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 30,862	120,049	311,607	1,125,079
Liabilities				
Accounts payable	\$ -	-	5,268	-
Salaries and benefits payable	-	-	2,983	-
Due to other governments	10,667	120,049	297,963	1,125,079
Trusts payable	20,195	-	-	-
Compensated absences	-	-	5,393	-
Total liabilities	\$ 30,862	120,049	311,607	1,125,079

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
88,605	3,795	44,484	2,091	283,824	1,575,701	2,119,594
-	-	-	-	-	-	30,862
24,047	1,034	14,427	344	-	6	45,499
6,411,000	318,000	3,313,000	165,000	-	1,000	11,638,000
-	-	-	-	-	250	250
-	-	-	-	-	7,843	7,843
-	-	-	-	-	9,034	9,034
6,523,652	322,829	3,371,911	167,435	283,824	1,593,834	13,851,082
-	-	-	-	-	177,102	182,370
-	-	-	-	-	3,970	6,953
6,523,652	322,829	3,371,911	167,435	283,824	1,348,881	13,572,290
-	-	-	-	-	60,169	80,364
-	-	-	-	-	3,712	9,105
6,523,652	322,829	3,371,911	167,435	283,824	1,593,834	13,851,082

Union County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Balances beginning of year	\$ 36,677	114,224	342,440	1,121,800
Additions:				
Property and other county tax	-	118,785	208,707	1,111,809
State tax credits	-	4,609	9,281	45,236
Contract law enforcement	-	-	-	-
E911 surcharges	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	225,851	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Solid waste fees	-	-	-	-
Assessments	-	-	-	-
Trusts	228,206	-	-	-
Miscellaneous	-	-	12,362	-
Total additions	454,057	123,394	230,350	1,157,045
Deductions:				
Agency remittances:				
To other funds	144,710	-	-	-
To other governments	86,618	117,569	261,183	1,153,766
Trusts paid out	228,544	-	-	-
Total deductions	459,872	117,569	261,183	1,153,766
Balances end of year	\$ 30,862	120,049	311,607	1,125,079

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
6,308,418	274,220	2,391,808	160,704	260,854	1,503,344	12,514,489
6,451,814	320,523	4,228,081	167,064	-	1,280	12,608,063
253,491	10,880	126,940	5,904	-	52	456,393
-	-	-	-	-	84,018	84,018
-	-	-	-	-	94,120	94,120
-	-	-	-	62,463	-	62,463
-	-	-	-	-	6,970	232,821
-	-	-	-	3,092,857	-	3,092,857
-	-	-	-	-	1,415,264	1,415,264
-	-	-	-	-	15,446	15,446
-	-	-	-	-	302,740	530,946
-	-	-	-	-	202,822	215,184
6,705,305	331,403	4,355,021	172,968	3,155,320	2,122,712	18,807,575
-	-	-	-	124,858	-	269,568
6,490,071	282,794	3,374,918	166,237	3,007,492	2,032,222	16,972,870
-	-	-	-	-	-	228,544
6,490,071	282,794	3,374,918	166,237	3,132,350	2,032,222	17,470,982
6,523,652	322,829	3,371,911	167,435	283,824	1,593,834	13,851,082

Union County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2011	2010	2009
Revenues:			
Property and other county tax	\$ 5,177,278	4,730,902	4,624,103
Local option sales tax	486,999	495,017	474,595
Tax increment financing	315,704	310,547	293,218
Interest and penalty on property tax	58,557	51,457	52,064
Intergovernmental	4,432,018	3,629,213	4,741,556
Licenses and permits	22,890	19,493	20,950
Charges for service	477,813	436,993	433,511
Use of money and property	194,032	227,601	100,943
Miscellaneous	396,255	283,701	120,294
Total	\$ 11,561,546	10,184,924	10,861,234
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,363,225	1,320,323	1,220,634
Physical health and social services	473,928	479,184	450,182
Mental health	1,838,463	1,169,979	1,753,031
County environment and education	1,185,301	615,643	465,943
Roads and transportation	4,547,039	4,004,056	2,759,160
Governmental services to residents	398,113	402,881	359,967
Administration	1,583,489	937,510	815,146
Non-program	-	-	-
Capital projects	6,386,417	1,032,421	638,392
Debt service	1,813,452	1,528,855	808,264
Total	\$ 19,589,427	11,490,852	9,270,719

See accompanying independent auditor's report.

Modified Accrual Basis						
2008	2007	2006	2005	2004	2003	2002
4,278,160	3,950,487	3,867,327	3,440,405	4,373,383	3,290,664	3,269,726
458,848	484,851	384,843	-	-	-	-
242,083	224,523	59,614	59,189	-	-	-
41,892	43,384	49,311	68,137	48,989	42,956	44,220
3,140,353	2,379,656	2,431,270	3,071,775	3,157,926	3,084,980	4,081,816
21,125	23,685	18,653	18,918	14,649	15,362	12,496
502,356	425,628	420,238	424,541	381,389	332,637	320,143
135,541	182,316	152,784	107,413	97,546	158,313	233,068
77,319	111,702	107,292	58,245	76,148	105,261	159,316
8,897,677	7,826,232	7,491,332	7,248,623	8,150,030	7,030,173	8,120,785
1,254,085	1,220,990	1,171,759	1,117,032	1,166,689	1,021,263	1,039,061
417,852	283,170	345,669	297,102	270,334	315,862	275,879
1,844,765	1,640,412	1,573,478	1,389,755	1,362,450	1,278,649	1,518,334
435,937	364,017	386,967	282,238	319,864	283,016	298,477
3,218,057	2,740,437	2,271,050	2,397,005	2,356,278	2,435,477	2,208,228
399,743	383,077	505,397	332,205	304,926	284,120	350,770
926,442	945,591	848,301	795,600	984,631	836,747	930,718
-	-	-	-	-	543,222	-
687,139	238,820	540,593	95,516	664,585	721,925	367,409
644,425	519,949	518,399	516,781	543,435	-	542,450
9,828,445	8,336,463	8,161,613	7,223,234	7,973,192	7,720,281	7,531,326

Schedule 6

Union County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 8,747
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
CDBG - State Administered CDBG Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DHR-206	23,432
ARRA - Community Development Block Grant Recovery (CDBG-R) Program	14.255	09-CDR-015	707,673
			731,105
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Occupant Protection Incentive Grants	20.602	11-03, Task 575	4,500
Safety Belt Performance Grants	20.609	10-406, Task 170	4,500
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT88	7,039
Public Health Emergency Preparedness	93.069	5881B788	11,466
Public Health Emergency Preparedness	93.069	5881B7388	19,108
			37,613
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		4
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,066
Foster Care_Title IV-E	93.658		3,431
Adoption Assistance	93.659		833
State Children's Insurance Program	93.767		37
Medical Assistance Program	93.778		8,326
Social Services Block Grant	93.667		2,946
Social Services Block Grant	93.667		65,998
			68,944
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1930 DRIA	154,170
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DRIA	258,787
			412,957
Emergency Management Performance Grants	97.042		28,356
			\$ 1,311,419

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

See accompanying independent auditor's report

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

Union County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 27, 2012



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance In Accordance with OMB Circular A-133

To the Officials of Union County:

We have audited Union County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Union County's major federal programs for the year ended June 30, 2011. Union County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

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

In our opinion, Union County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11, we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Union County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Union County's response and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 27, 2012

Union County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed, which was not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 14.255 – ARRA – Community Development Block Grant Recovery (CDBG-R) Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Union County did not qualify as a low-risk auditee.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or more individuals in the County Treasurer's Office may have control over the following areas for which no compensating controls exist:

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

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

Response – We will segregate duties as best as possible given our limited number of staff and perform monthly reconciliations.

Conclusion – Response acknowledged. Other office personnel should be utilized to provide additional segregation of duties.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

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

Response – We will work with the County Engineer to determine what, if any, receivables need to be recorded by the County.

Conclusion – Response accepted.

II-C-10 Credit Cards – The Union County Credit Card Policy states claims for payment of Union County credit card expenses shall include a short statement of the explanation of the charges. In addition, signed copies of the credit card slips and itemized receipts are required, as well as original invoices. For two of three credit card statements tested, signatures on the supporting receipt or invoices were not included. One of the credit card statements tested had a charge which was not supported by a receipt. In addition, nine of fifty-five gasoline purchases on one statement were not supported by a receipt.

Recommendation – The County should implement procedures to ensure the claims for credit card payments adhere to the County’s adopted policy.

Response – The Department heads will be signing off on the credit card statements when received and the County Auditor’s office will double check statements to ensure all charges are proper and supported before being paid.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

III-A-11 Monitoring - The County entered into an agreement with the Southern Iowa Council of Governments (SICOG) to administer the Community Development Block Grant (CDBG) program. The agreement states SICOG will identify applicable federal and state laws and regulations and assist in complying with federal and state requirements. In addition, the agreement states SICOG will monitor and evaluate the project progress to facilitate compliance with applicable federal and state laws and regulations.

SICOG monitored the CDBG project to ensure compliance with the requirements of the Office of Management and Budget (OMB) A-133 Compliance Supplement. However, since the County was the primary recipient of the CDBG program funds, the County retained responsibility to ensure these requirements were met. The County did not maintain documentation indicating program requirements were met.

Recommendation - The County should receive and maintain documentation to ensure all applicable compliance requirements have been met.

Response - Documentation will be maintained in the future to ensure all federal compliance requirements are met.

Conclusion - Response accepted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted for the debt service and capital projects functions.

Disbursements in certain departments exceeded the amounts appropriated for the year ended June 30, 2011 or during the year ended June 30, 2011 before an amendment was adopted.

In addition, the original appropriation for each department was not published for the year ended June 30, 2011.

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

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

Also, the original appropriations should be published.

Response – We will track budgeting and appropriations more closely to ensure amendments to the budget and individual department's appropriation are done prior to them being exceeded. In addition, will work towards making sure all budgets and appropriations are published.

Conclusion – Response accepted.

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

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

- IV-D-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- IV-E-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- IV-F-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-H-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

- IV-I-11 Tax Increment Financing - The County Auditor does not prepare a reconciliation of tax increment financing (TIF) revenue remitted with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each TIF district to reconcile the cumulative TIF tax remitted with the amount of debt certified.

Response – We are currently working with the City of Creston in creating a spread sheet for each TIF district for reconciliation.

Conclusion – Response accepted.

- IV-J-11 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$162,200 at June 30, 2011.

Recommendation – The County should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The Special Revenue, Mental Health Fund deficit will be eliminated upon receipt of State funds. In the future, the County will more closely monitor mental health expenditures to ensure available funding is not exceeded.

Conclusion – Response accepted.

Union County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Keith C. Kirstenmacher, Staff Auditor
David C. McQuarry, Assistant Auditor
Karie A. Meisgeier, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State