



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 8, 2009

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

The County had local tax revenue of \$13,337,327 for the year ended June 30, 2009, which included \$664,927 in tax credits from the state. The County forwarded \$10,103,007 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,234,320 of the local tax revenue to finance County operations, a 4 percent increase over the prior year. Other revenues included charges for service of \$259,633, operating grants, contributions and restricted interest of \$4,132,905, capital grants, contributions and restricted interest of \$1,962,810, tax increment financing of \$155,821, local option sales tax of \$389,100, unrestricted investment earnings of \$124,343 and other general revenues of \$79,615.

Expenses for County operations totaled \$6,598,561, a 1.6 percent increase over the prior year. Expenses included \$3,367,742 for roads and transportation, \$898,227 for public safety and legal services and \$822,903 for mental health.

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

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ADAIR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44
Budget to GAAP Reconciliation		45
Notes to Required Supplementary Information – Budgetary Reporting		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56-57
Schedule of Expenditures of Federal Awards	6	58
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 <u>Government Auditing Standards</u>		59-60
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		63-64
Schedule of Findings and Questioned Costs		66-69
Staff		70

Adair County
Officials
(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Dolan	Board of Supervisors	Jan 2009
Robert Grasty	Board of Supervisors	Jan 2009
Bill Lamb	Board of Supervisors	Jan 2009
Steven Shelley	Board of Supervisors	Jan 2011
Cliff Sheriff	Board of Supervisors	Jan 2011
Jenice K. Wallace	County Auditor	(Retired)
Melinda Schaefer (Appointed)	County Auditor	Nov 2008
Ron Herr	County Treasurer	(Deceased)
Brenda Wallace (Appointed)	County Treasurer	Nov 2008
Janelle Schneider	County Recorder	Jan 2011
Randy Marchant	County Sheriff	(Retired)
Brad Newton (Appointed)	County Sheriff	Nov 2008
Michael Maynes	County Attorney	Jan 2011
Kenneth E. Huddleson	County Assessor	Jan 2014

(After January 2009)

Steven Shelley	Board of Supervisors	Jan 2011
Cliff Sheriff	Board of Supervisors	Jan 2011
David Homan	Board of Supervisors	Jan 2013
John Twombly	Board of Supervisors	Jan 2013
Matt Wedemeyer	Board of Supervisors	Jan 2013
Melinda Schaefer	County Auditor	Jan 2013
Brenda Wallace	County Treasurer	Jan 2011
Janelle Schneider	County Recorder	Jan 2011
Brad Newton	County Sheriff	Jan 2013
Michael Maynes	County Attorney	Jan 2011
Kenneth E. Huddleson	County Assessor	Jan 2014

Adair County



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Independent Auditor's Report

To the Officials of Adair County:

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

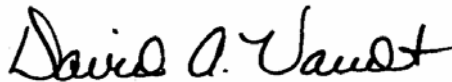
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Adair County at June 30, 2009, 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.

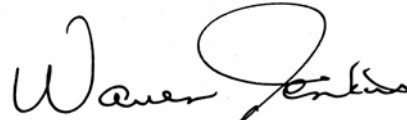
In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2009 on our consideration of Adair County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 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 and budgetary comparison information on pages 7 through 13 and 44 through 46 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 Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 31.3%, or approximately \$2,467,000, from fiscal 2008 to fiscal 2009. Capital grants, contributions and restricted interest increased approximately \$1,477,000, operating grants, contributions and restricted interest increased approximately \$923,000 and property tax increased approximately \$138,000.
- The County's expenses for governmental activities increased 1.6%, or approximately \$101,000, from fiscal 2008 to fiscal 2009. Mental health expenses decreased approximately \$77,000 and roads and transportation expenses decreased approximately \$57,000 while governmental services to residents expenses increased approximately \$129,000, county environment and education expenses increased approximately \$63,000 and public safety and legal services expenses increased approximately \$39,000.
- The County's net assets increased 28.4%, or approximately \$3,740,000, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Adair 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 Adair County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adair County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, the County Hospital 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. Adair County's combined net assets strengthened from a year ago, increasing from approximately \$13,191,000 to approximately \$16,931,000. The analysis below shows the changes in the net assets of governmental activities from a year ago.

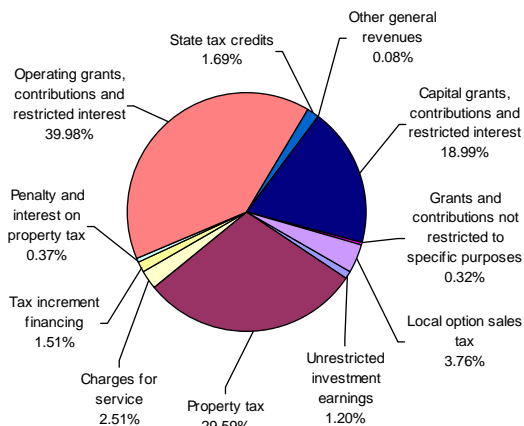
Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2008
Current and other assets	\$ 8,434	7,665
Capital assets	12,111	9,517
Total assets	<u>20,545</u>	<u>17,182</u>
Long-term liabilities	122	414
Other liabilities	3,492	3,577
Total liabilities	<u>3,614</u>	<u>3,991</u>
Net assets:		
Invested in capital assets	12,111	9,517
Restricted	3,817	3,119
Unrestricted	1,003	555
Total net assets	<u>\$ 16,931</u>	<u>13,191</u>

Net assets of Adair County's governmental activities increased approximately \$3,740,000 (\$13,191,000 compared to \$16,931,000). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Net assets invested in capital assets increased approximately \$2,594,000. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased approximately \$698,000, or 22.4%, from fiscal year 2008 to fiscal year 2009. 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, is approximately \$1,003,000. Unrestricted net assets increased approximately \$448,000, or 80.7%, from fiscal year 2008 to fiscal 2009.

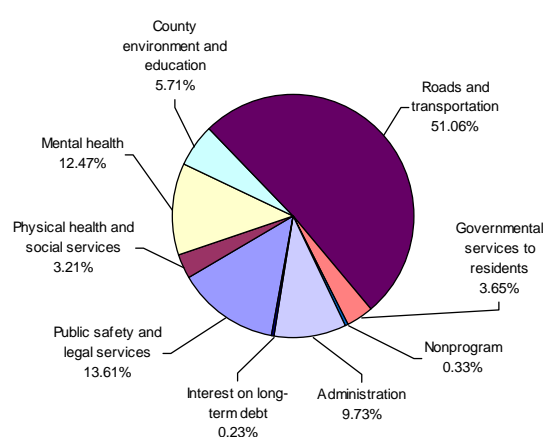
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 260	266
Operating grants, contributions and restricted interest	4,133	3,210
Capital grants, contributions and restricted interest	1,963	486
General revenues:		
Property tax	3,059	2,921
Tax increment financing	156	224
Penalty and interest on property tax	38	35
State tax credits	175	181
Local option sales tax	389	385
Grants and contributions not restricted to specific purposes	33	19
Unrestricted investment earnings	124	143
Other general revenues	8	1
Total revenues	10,338	7,871
Program expenses:		
Public safety and legal services	898	859
Physical health and social services	212	196
Mental health	823	900
County environment and education	377	314
Roads and transportation	3,368	3,425
Governmental services to residents	241	112
Administration	642	661
Nonprogram	22	-
Interest on long-term debt	15	30
Total expenses	6,598	6,497
Increase in net assets	3,740	1,374
Net assets beginning of year	13,191	11,817
Net assets end of year	\$ 16,931	13,191

Revenues by Source



Expenses by Function



Adair County's net assets of governmental activities increased approximately \$3,740,000 during the year. Revenues for governmental activities increased approximately \$2,467,000 over the prior year, with capital grants, contributions and restricted interest up from the prior year approximately \$1,477,000, or 303.9%, due to an increase in farm-to-market projects being contributed to the County by the Iowa Department of Transportation. Operating grants, contributions and restricted interest increased approximately \$923,000 from the prior year, due to an increase in funding for disaster assistance from the Federal Emergency Management Agency. Property tax revenue also increased approximately \$138,000, due to an increase in valuations and a \$.07312 per \$1,000 of taxable valuation increase in levy rates.

The cost of all governmental activities this year was approximately \$6.6 million compared to approximately \$6.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$243,000 because some of the cost was paid by those directly benefited from the programs (\$259,633) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,095,715). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in 2009 from approximately \$3,962,000 to approximately \$6,355,000. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,215,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$4.502 million, an increase of approximately \$472,000 above last year's total of approximately \$4.030 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues exceeded expenditures. The ending fund balance increased approximately \$19,000 over the prior year to approximately \$976,000. General Fund revenues increased primarily due to increases in property and other county tax and intergovernmental revenues.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$823,000, a decrease of 8.6% from the prior year. The decrease is primarily due to the increased federal Medicaid match applied by the State to the invoices received by the County which reduced the amount due from the County. The Special Revenue, Mental Health Fund balance at year end increased approximately \$134,000 from the prior year to a positive balance of approximately \$120,000. Clients continue to use waiver programs funded in part with state and federal dollars and the County received additional state funding to support mental health operations.
- The Special Revenue, Rural Services Fund ending fund balance increased approximately \$86,000 over the prior year to approximately \$305,000. This increase is due to a decrease in transfers out to the Special Revenue, Secondary Roads Fund of approximately \$76,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$954,000 over the prior year due to an increase in projects for disaster recovery financed primarily with assistance received from the Federal Emergency Management Agency and an increase in road projects. The Secondary Roads Fund balance at year end increased approximately \$411,000, or 24.7%, to approximately \$2,073,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2009 and resulted in an increase in budgeted receipts of approximately \$510,000 related to FEMA reimbursements the County received, oversized vehicle permits, a bridge replacement grant and a veteran affairs grant. The amendment also increased budgeted disbursements by approximately \$885,000 related to FEMA projects, a bridge replacement grant and the veteran affairs grant.

The second amendment was made in May 2009. This amendment increased budgeted receipts approximately \$6,000, primarily for prisoner room and board, a STEP grant and a tobacco compliance grant. The amendment also increased disbursements approximately \$63,000, primarily due to joining the Southern Iowa Crime Commission, using the received grants, training new supervisors and an increased number of supervisors on the health insurance.

The County's receipts were approximately \$142,000 more than budgeted. Property and other county tax receipts were approximately \$98,000 more than budgeted and intergovernmental receipts were approximately \$54,000 more than budgeted due to an increase in the local option sales tax (LOST) revenue and FEMA reimbursements.

Total disbursements were approximately \$1,430,000 less than budgeted. Actual disbursements for the roads and transportation, capital projects and mental health functions were approximately \$687,000, \$458,000 and \$110,000, respectively, less than budgeted. These differences were due to the construction season spanning two fiscal years, resulting in construction project carryovers. Delays in project start dates and completion dates are also factors. Roads and transportation and capital projects were also under budget due to a shortage of inspectors in Engineering most of year, decreased snow removal expenses due to good weather, a decrease in bridge and culvert maintenance due to FEMA repairs and bridge crew working on LOST projects, a decrease in traffic control due to an employee absent for extended leave and no traffic control painting, a decrease in tools and materials due to less items stocked and a decrease in equipment operations because fuel prices were less and less fuel was used due to less snow removal. Mental health disbursements were down due to the increase in the federal Medicaid match.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Adair County had approximately \$12,111,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 336	336
Land, road network	34	34
Construction in progress	2,617	313
Buildings and improvements	444	458
Improvements other than buildings	92	99
Equipment and vehicles	2,171	2,079
Infrastructure, road network	6,417	6,198
Total	<u>\$ 12,111</u>	<u>9,517</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 1,808	
Bridge construction projects	904	
Replacement of motor grader	193	
Replacement of dump truck	134	
Purchase of patrol cars and secondary road vehicles	91	
Total	<u>\$ 3,130</u>	

The County had depreciation expense of \$459,308 in FY09 and total accumulated depreciation of approximately \$4 million at June 30, 2009. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, Adair County had approximately \$3,000 in capital loan notes outstanding, a decrease of approximately \$293,000, or 99%, from June 30, 2008.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of \$28.2 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax will generate funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The local option sales tax will remain in effect for four more years. The County estimates it will receive \$312,000 in FY10.

Amounts available for appropriation in the operating budget are approximately \$9,000,000, a decrease of 0.82% from the final 2009 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2010.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adair 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 Adair County Auditor's Office, 400 Public Square, Ste 5, Greenfield, Iowa 50849.

Adair County

Basic Financial Statements

Exhibit A

Adair County
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,277,372
Receivables:	
Property tax:	
Delinquent	3,736
Succeeding year	3,114,000
Interest and penalty on property tax	5,752
Accounts	26,085
Accrued interest	10,619
Due from other governments	575,221
Inventories	260,545
Prepaid items	160,545
Capital assets (net of accumulated depreciation)	12,111,435
Total assets	<u>20,545,310</u>
Liabilities	
Accounts payable	152,705
Salaries and benefits payable	50,968
Due to other governments	174,797
Deferred revenue:	
Succeeding year property tax	3,114,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	3,000
Compensated absences	73,010
Portion due or payable after one year:	
Compensated absences	45,636
Total liabilities	<u>3,614,116</u>
Net Assets	
Invested in capital assets	12,111,435
Restricted for:	
Supplemental levy purposes	320,645
Mental health purposes	120,406
Secondary roads purposes	2,347,652
Other purposes	1,027,592
Unrestricted	1,003,464
Total net assets	<u>\$ 16,931,194</u>

See notes to financial statements.

Adair County
Statement of Activities
Year ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 898,227	33,251	16,195	-	(848,781)
Physical health and social services	211,656	20,735	53,371	-	(137,550)
Mental health	822,903	-	649,349	-	(173,554)
County environment and education	377,495	28,303	62,177	-	(287,015)
Roads and transportation	3,367,742	18,957	3,334,106	1,962,810	1,948,131
Governmental services to residents	241,322	139,580	135	-	(101,607)
Administration	642,569	17,372	900	-	(624,297)
Nonprogram	21,734	1,435	-	-	(20,299)
Interest on long-term debt	14,913	-	16,672	-	1,759
Total	<u>\$ 6,598,561</u>	<u>259,633</u>	<u>4,132,905</u>	<u>1,962,810</u>	<u>(243,213)</u>
General Revenues:					
Property and other county tax levied for general purposes					3,059,167
Tax increment financing					155,821
Penalty and interest on property tax					38,367
State tax credits					175,153
Local option sales tax					389,100
Grants and contributions not restricted to specific purpose					33,399
Unrestricted investment earnings					124,343
Miscellaneous					7,849
Total general revenues					<u>3,983,199</u>
Change in net assets					3,739,986
Net assets beginning of year					13,191,208
Net assets end of year					<u>\$ 16,931,194</u>

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds

June 30, 2009

	General	Special	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 896,897	247,715	307,615
Receivables:			
Property tax:			
Delinquent	2,817	466	453
Succeeding year	1,806,000	287,000	1,021,000
Interest and penalty on property tax	5,752	-	-
Accounts	23,940	231	-
Accrued interest	9,961	-	-
Due from other funds	-	-	-
Due from other governments	12,314	34,863	-
Inventories	-	-	-
Prepaid items	93,730	-	310
Total assets	\$ 2,851,411	570,275	1,329,378
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 10,567	18,208	235
Salaries and benefits payable	17,428	296	2,722
Due to other funds	1,045	-	-
Due to other governments	21,547	144,365	-
Deferred revenue:			
Succeeding year property tax	1,806,000	287,000	1,021,000
Other	18,576	466	453
Total liabilities	1,875,163	450,335	1,024,410
Fund balances:			
Reserved for:			
Supplemental levy purposes	319,934	-	-
Debt service	-	-	-
Unreserved, designated for:			
Three Mile structure repair	-	-	10,000
Courthouse repair and other capital projects	3,598	-	-
Ambulance and equipment replacement	40,000	-	-
Unreserved, undesignated, reported in:			
General fund	612,716	-	-
Special revenue funds	-	119,940	294,968
Total fund balances	976,248	119,940	304,968
Total liabilities and fund balances	\$ 2,851,411	570,275	1,329,378

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
1,775,368	986,309	4,213,904
-	-	3,736
-	-	3,114,000
-	-	5,752
1,670	244	26,085
-	658	10,619
1,045	-	1,045
489,649	37,574	574,400
260,545	-	260,545
59,297	2,807	156,144
<u>2,587,574</u>	<u>1,027,592</u>	<u>8,366,230</u>
122,695	-	151,705
30,522	-	50,968
-	-	1,045
8,885	-	174,797
-	-	3,114,000
352,641	-	372,136
<u>514,743</u>	<u>-</u>	<u>3,864,651</u>
-	-	319,934
-	53,947	53,947
-	-	10,000
-	-	3,598
-	-	40,000
-	-	612,716
2,072,831	973,645	3,461,384
<u>2,072,831</u>	<u>1,027,592</u>	<u>4,501,579</u>
<u>2,587,574</u>	<u>1,027,592</u>	<u>8,366,230</u>

Adair County

Adair County

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

June 30, 2009

Total governmental fund balances (page 19) \$ 4,501,579

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,080,555 and the accumulated depreciation is \$3,969,120. 12,111,435

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 372,136

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 67,690

Long-term liabilities, including capital loan notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (121,646)

Net assets of governmental activities (page 16) \$ 16,931,194

See notes to financial statements.

Adair County

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

Year ended June 30, 2009

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,755,866	290,441	1,013,278
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	32,615	-	-
Intergovernmental	214,514	665,835	58,261
Licenses and permits	6,700	-	4,035
Charges for service	191,024	-	-
Use of money and property	121,879	-	-
Miscellaneous	15,739	281	-
Total revenues	<u>2,338,337</u>	<u>956,557</u>	<u>1,075,574</u>
Expenditures:			
Operating:			
Public safety and legal services	911,056	-	-
Physical health and social services	200,517	-	11,139
Mental health	-	822,903	-
County environment and education	268,257	-	84,277
Roads and transportation	-	-	157,644
Governmental services to residents	239,742	-	1,919
Administration	631,016	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,250,588</u>	<u>822,903</u>	<u>254,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,749</u>	<u>133,654</u>	<u>820,595</u>
Other financing sources (uses):			
Sale of capital assets	250	-	-
Operating transfers in	-	-	-
Operating transfers out	(69,490)	-	(734,552)
Total other financing sources (uses)	<u>(69,240)</u>	<u>-</u>	<u>(734,552)</u>
Net change in fund balances	18,509	133,654	86,043
Fund balances beginning of year	<u>957,739</u>	<u>(13,714)</u>	<u>218,925</u>
Fund balances end of year	<u>\$ 976,248</u>	<u>119,940</u>	<u>304,968</u>

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	3,059,585
-	155,821	155,821
-	389,100	389,100
-	-	32,615
3,088,716	29,081	4,056,407
50	-	10,785
-	1,814	192,838
-	21,745	143,624
27,881	14,940	58,841
<u>3,116,647</u>	<u>612,501</u>	<u>8,099,616</u>
-	900	911,956
-	-	211,656
-	-	822,903
-	4,318	356,852
3,068,260	-	3,225,904
-	-	241,661
-	-	631,016
-	310,430	310,430
915,695	-	915,695
<u>3,983,955</u>	<u>315,648</u>	<u>7,628,073</u>
<u>(867,308)</u>	<u>296,853</u>	<u>471,543</u>
-	-	250
1,277,953	12,500	1,290,453
-	(486,411)	(1,290,453)
<u>1,277,953</u>	<u>(473,911)</u>	<u>250</u>
410,645	(177,058)	471,793
1,662,186	1,204,650	4,029,786
<u>2,072,831</u>	<u>1,027,592</u>	<u>4,501,579</u>

Adair County

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

Year ended June 30, 2009

Net change in fund balances - Total governmental funds (page 23) \$ 471,793

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

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

Expenditures for capital assets	\$ 1,264,541	
Capital assets contributed by the Iowa Department of Transportation	1,807,535	
Depreciation expense	<u>(459,308)</u>	2,612,768

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (18,407)

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	1,275	
Other	<u>365,333</u>	366,608

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. 292,858

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	(628)	
Interest on long-term debt	<u>2,659</u>	2,031

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 12,335

Change in net assets of governmental activities (page 17) \$ 3,739,986

See notes to financial statements.

Adair County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2009

	Internal Service - Employee Health Insurance
Assets	
Cash and cash equivalents	\$ 63,468
Due from other governments	821
Prepaid items	4,401
	68,690
Liabilities	
Accounts payable	1,000
Net Assets	
Unrestricted	\$ 67,690

See notes to financial statements.

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

Year ended June 30, 2009

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Contributions from operating funds		\$ 33,169
Operating expenses:		
Medical claims	\$ 7,783	
Insurance premiums	<u>13,951</u>	<u>21,734</u>
Operating income		11,435
Non-operating revenues:		
Interest income		<u>900</u>
Net income		12,335
Net assets beginning of year		<u>55,355</u>
Net assets end of year		<u><u>\$ 67,690</u></u>

See notes to financial statements.

Adair County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2009

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating funds	\$ 32,348
Cash paid to suppliers for services	(26,425)
Net cash provided by operating activities	5,923
Cash flows from investing activities:	
Interest on investments	900
Net increase in cash and cash equivalents	6,823
Cash and cash equivalents beginning of year	56,645
Cash and cash equivalents end of year	\$ 63,468
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,435
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in due from other governments	(821)
(Increase) in prepaid items	(4,401)
Decrease in accounts payable	(290)
Net cash provided by operating activities	\$ 5,923

See notes to financial statements.

Adair County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets

Cash and pooled investments:

County Treasurer	\$ 458,724
Other County officials	18,148

Receivables:

Property tax:

Delinquent	17,468
Succeeding year	9,681,000
Accounts	219
Accrued interest	1
Special assessments	115,176

Due from other governments	6,842
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Total assets	<u>10,297,578</u>
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Liabilities

Accounts payable	166
Salaries and benefits payable	1,634
Due to other governments	10,258,370
Trusts payable	25,201
Compensated absences	12,207

Total liabilities	<u>10,297,578</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Adair 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, Adair 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: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center, County Emergency Management Commission and South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. 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 consists of capital assets, net of accumulated depreciation.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The County maintains its financial records on 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets 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	\$ 65,000
Land, buildings and improvements	5,000
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 and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Equipment	3 - 20
Vehicles	3 - 15

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

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

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

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.

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. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Secondary Roads Fund.

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 applicable governmental activities or proprietary fund Statement of Net Assets.

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

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

Net Assets – The net assets of the Internal Service, Employee Health Insurance 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.

(2) Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$10,532 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	\$ 1,045

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 56,990
	Special Revenue: Rural Services	734,552
	Local Option Sales Tax	486,411
SIRWA Grid	General	12,500
Total		\$ 1,290,453

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

(5) Capital Assets

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

	Balance			Balance
	Beginning of		Decreases	End of
	Year	Increases		Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 336,067	-	-	336,067
Land, road network	34,220	-	-	34,220
Construction in progress	312,740	2,716,504	412,616	2,616,628
Total capital assets not being depreciated	<u>683,027</u>	<u>2,716,504</u>	<u>412,616</u>	<u>2,986,915</u>
Capital assets being depreciated:				
Buildings	653,380	-	-	653,380
Improvements other than buildings	186,649	-	-	186,649
Equipment and vehicles	4,955,264	473,937	350,504	5,078,697
Infrastructure, road network	6,767,088	407,826	-	7,174,914
Total capital assets being depreciated	<u>12,562,381</u>	<u>881,763</u>	<u>350,504</u>	<u>13,093,640</u>
Less accumulated depreciation for:				
Buildings	195,808	13,773	-	209,581
Improvements other than buildings	88,101	5,997	-	94,098
Equipment and vehicles	2,875,817	250,477	218,522	2,907,772
Infrastructure, road network	568,608	189,061	-	757,669
Total accumulated depreciation	<u>3,728,334</u>	<u>459,308</u>	<u>218,522</u>	<u>3,969,120</u>
Total capital assets being depreciated, net	<u>8,834,047</u>	<u>422,455</u>	<u>131,982</u>	<u>9,124,520</u>
Governmental activities capital assets, net	<u>\$ 9,517,074</u>	<u>3,138,959</u>	<u>544,598</u>	<u>12,111,435</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,909
County environment and education	21,537
Roads and transportation	396,539
Administration	<u>12,323</u>
Total depreciation expense - governmental activities	<u>\$ 459,308</u>

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 21,547
Special Revenue:		
Mental Health	Services	144,365
Secondary Roads	Services	8,885
		<u>153,250</u>
Total for governmental funds		<u>\$ 174,797</u>
Agency:		
County Assessor	Collections	\$ 207,490
Schools		5,664,464
Community Colleges		250,616
Corporations		2,270,967
Townships		261,639
County Hospital		1,129,842
Auto License and Use Tax		201,729
All other		271,623
Total for agency funds		<u>\$ 10,258,370</u>

(7) Changes in Long-Term Liabilities

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

	<u>Capital Loan</u>	<u>Compensated</u>	
	<u>Notes</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ 295,858	118,018	413,876
Increases	-	88,668	88,668
Decreases	292,858	88,040	380,898
Balance end of year	<u>\$ 3,000</u>	<u>118,646</u>	<u>121,646</u>
Due within one year	<u>\$ 3,000</u>	<u>73,010</u>	<u>76,010</u>

Capital Loan Notes

On May 1, 2001, the County issued \$630,000 of urban renewal revenue capital loan notes. The notes bear interest at 6 percent per annum and mature in varying annual amounts ranging from \$50,000 to \$90,000, with final maturity in June 2013. The note proceeds were used to provide a grant to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park. During the year ended June 30, 2009, the County prepaid the scheduled principal payment for the years ending June 30, 2011, 2012 and 2013 of \$70,000, \$80,000 and \$90,000, respectively, and the notes are paid in full as of June 30, 2009.

On January 18, 2002, the County issued a \$250,000 subordinate urban renewal revenue capital loan note (subordinate note). The note bears interest at 6 percent per annum with final maturity on June 1, 2013. The note proceeds were used to provide additional funds to the Iowa Interstate Railroad for construction of a rail spur line to serve the I-80 industrial business park.

A formal repayment schedule has not been established for the subordinate note. Interest is due and payable from allocable subordinate tax increment financing (TIF) revenues annually until the note matures on June 1, 2013. Allocable revenues are those TIF revenues remaining annually after principal and interest payments and required sinking and reserve transfers on the May 2001 notes are satisfied. During the year ended June 30, 2009, interest of \$3,172 and principal of \$52,858 were paid on the note. The balance remaining on the note at June 30, 2009 was \$3,000.

The subordinate urban renewal revenue capital loan note is payable solely from the taxes paid into the Special Revenue, Urban Renewal Fund pursuant to Chapter 403.19 of the Code of Iowa and other funds derived or held in connection with the project related to the note issue. The note is not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the subordinate urban renewal revenue capital loan note includes the following provision:

Surplus revenues attributable to the subordinate project area shall be deposited to a sinking fund for the purpose of making subordinate note principal and interest payments.

(8) 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 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$127,203, \$123,384 and \$125,308, respectively, equal to the required contributions for each year.

(9) Risk Management

Adair County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009 were \$84,015.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered by the County. The County assumes liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively.

Contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. The County's contribution for the year ended June 30, 2009 was \$33,169.

Amounts payable from the Employee Health Insurance Fund at June 30, 2009 total \$1,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The County was not required to obtain an actuarial report for the period ended June 30, 2009 since its plan qualifies as a "mini plan." A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 1,290
Incurred claims (including claims incurred but not reported at June 30, 2009)	21,734
Payments on claims during the fiscal year	<u>(22,024)</u>
Unpaid claims end of year	<u><u>\$ 1,000</u></u>

(11) Southern Iowa Rural Water Association (SIRWA) Agreement

On May 25, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA will obtain a loan of \$500,000 to cover the initial costs. Liability for repayment of the loan will be borne by the respective parties (counties) to the agreement. Adair County's share of the debt is 12.5%, or \$62,500. Each participant is required to establish a SIRWA Grid sinking and reserve fund, into which there shall be appropriated from the participant's General Fund sufficient funds to pay the principal and interest on the loan. During the year ended June 30, 2009, the County established the Special Revenue, SIRWA Grid Fund and transferred \$12,500 from the General Fund to this fund in compliance with the 28E agreement. At June 30, 2009, no debt has been issued by SIRWA and, accordingly, a liability has not been reflected in the County's financial statements.

Adair County

Required Supplementary Information

Adair 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, 2009

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 3,632,073	3,534,216	3,534,216	97,857
Interest and penalty on property tax	32,615	27,000	27,000	5,615
Intergovernmental	4,080,627	3,511,497	4,026,940	53,687
Licenses and permits	9,710	7,750	7,250	2,460
Charges for service	171,909	176,458	177,658	(5,749)
Use of money and property	141,843	156,120	156,120	(14,277)
Miscellaneous	57,749	55,541	55,541	2,208
Total receipts	8,126,526	7,468,582	7,984,725	141,801
Disbursements:				
Public safety and legal services	900,072	931,279	936,979	36,907
Physical health and social services	204,327	234,376	245,576	41,249
Mental health	850,117	930,212	960,212	110,095
County environment and education	360,850	344,440	375,433	14,583
Roads and transportation	3,259,512	3,534,000	3,947,000	687,488
Governmental services to residents	243,581	264,357	264,357	20,776
Administration	630,776	665,119	692,114	61,338
Debt service	310,430	310,430	310,430	-
Capital projects	882,982	911,000	1,341,000	458,018
Total disbursements	7,642,647	8,125,213	9,073,101	1,430,454
Excess (deficiency) of receipts over (under) disbursements	483,879	(656,631)	(1,088,376)	1,572,255
Other financing sources, net	250	3,000	3,000	(2,750)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	484,129	(653,631)	(1,085,376)	1,569,505
Balance beginning of year	3,729,775	2,816,644	3,699,964	(29,811)
Balance end of year	\$ 4,213,904	2,163,013	2,614,588	1,599,316

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,126,526	(26,910)	8,099,616
Expenditures	7,642,647	(14,574)	7,628,073
Net	483,879	(12,336)	471,543
Other financing sources, net	250	-	250
Beginning fund balances	3,729,775	300,011	4,029,786
Ending fund balances	\$ 4,213,904	287,675	4,501,579

See accompanying independent auditor's report.

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 ten 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 and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$947,888. 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, 2009, disbursements did not exceed the amounts budgeted or the amounts appropriated.

Other Supplementary Information

Adair County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2009

	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Assets			
Cash and pooled investments	\$ 164,503	7,137	1,695
Receivables:			
Accounts	-	219	-
Accrued interest	264	-	-
Due from other governments	-	-	-
Prepaid items	-	2,807	-
Total assets	\$ 164,767	10,163	1,695
Liabilities and Fund Equity			
Liabilities:			
None	\$ -	-	-
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, undesignated	164,767	10,163	1,695
Total fund equity	164,767	10,163	1,695
Total liabilities and fund equity	\$ 164,767	10,163	1,695

See accompanying independent auditor's report.

Special Law Enforcement	Urban Renewal	Local Option Sales Tax	SIRWA Grid	Conservation Land Acquisition	Total
4,391	878	421,908	53,069	332,728	986,309
-	-	-	-	25	244
-	-	-	-	394	658
-	-	37,574	-	-	37,574
-	-	-	-	-	2,807
4,391	878	459,482	53,069	333,147	1,027,592
-	-	-	-	-	-
-	878	-	53,069	-	53,947
4,391	-	459,482	-	333,147	973,645
4,391	878	459,482	53,069	333,147	1,027,592
4,391	878	459,482	53,069	333,147	1,027,592

Adair County

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

Year ended June 30, 2009

	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Revenues:			
Tax increment financing	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	14,286	-	410
Charges for service	-	1,724	-
Use of money and property	3,722	135	31
Miscellaneous	-	-	900
Total revenues	<u>18,008</u>	<u>1,859</u>	<u>1,341</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	900
County environment and education	4,318	-	-
Debt service	-	-	-
Total expenditures	<u>4,318</u>	<u>-</u>	<u>900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,690</u>	<u>1,859</u>	<u>441</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>13,690</u>	<u>1,859</u>	<u>441</u>
Fund balances beginning of year	<u>151,077</u>	<u>8,304</u>	<u>1,254</u>
Fund balances end of year	<u>\$ 164,767</u>	<u>10,163</u>	<u>1,695</u>

See accompanying independent auditor's report.

Special Law Enforcement	Urban Renewal	Local Option Sales Tax	SIRWA Grid	Conservation Land Acquisition	Total
-	155,821	-	-	-	155,821
-	-	389,100	-	-	389,100
-	14,385	-	-	-	29,081
-	-	-	-	90	1,814
65	2,673	8,329	744	6,046	21,745
-	-	-	-	14,040	14,940
65	172,879	397,429	744	20,176	612,501
-	-	-	-	-	900
-	-	-	-	-	4,318
-	310,430	-	-	-	310,430
-	310,430	-	-	-	315,648
65	(137,551)	397,429	744	20,176	296,853
-	-	-	12,500	-	12,500
-	-	(486,411)	-	-	(486,411)
-	-	(486,411)	12,500	-	(473,911)
65	(137,551)	(88,982)	13,244	20,176	(177,058)
4,326	138,429	548,464	39,825	312,971	1,204,650
4,391	878	459,482	53,069	333,147	1,027,592

Adair County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,918	58,823	95,559
Other County officials	18,148	-	-	-
Receivables:				
Property tax:				
Delinquent	-	170	256	7,905
Succeeding year	-	111,000	162,000	5,561,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 18,148	113,088	221,079	5,664,464
Liabilities				
Accounts payable	\$ -	-	110	-
Salaries and benefits payable	-	-	1,272	-
Due to other governments	18,148	113,088	207,490	5,664,464
Trusts payable	-	-	-	-
Compensated absences	-	-	12,207	-
Total liabilities	\$ 18,148	113,088	221,079	5,664,464

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
4,245	30,193	4,345	19,146	201,729	42,766	458,724
-	-	-	-	-	-	18,148
371	6,774	294	1,696	-	2	17,468
246,000	2,234,000	257,000	1,109,000	-	1,000	9,681,000
-	-	-	-	-	219	219
-	-	-	-	-	1	1
-	-	-	-	-	115,176	115,176
-	-	-	-	-	6,842	6,842
250,616	2,270,967	261,639	1,129,842	201,729	166,006	10,297,578
-	-	-	-	-	56	166
-	-	-	-	-	362	1,634
250,616	2,270,967	261,639	1,129,842	201,729	140,387	10,258,370
-	-	-	-	-	25,201	25,201
-	-	-	-	-	-	12,207
250,616	2,270,967	261,639	1,129,842	201,729	166,006	10,297,578

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 4,008	107,042	225,208	5,374,488
Additions:				
Property and other county tax	-	112,004	163,824	5,618,144
State tax credits	-	5,961	9,095	298,372
Office fees and collections	145,273	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	48,241	-	-	-
Miscellaneous	-	-	769	-
Total additions	193,514	117,965	173,688	5,916,516
Deductions:				
Agency remittances:				
To other funds	63,521	-	-	-
To other governments	67,612	111,919	177,817	5,626,540
Trusts paid out	48,241	-	-	-
Total deductions	179,374	111,919	177,817	5,626,540
Balances end of year	\$ 18,148	113,088	221,079	5,664,464

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
235,334	2,160,132	248,378	1,065,284	177,073	174,934	9,771,881
248,085	2,090,356	258,019	1,121,559	-	1,242	9,613,233
13,437	88,085	14,575	60,178	-	71	489,774
-	-	-	-	-	-	145,273
-	-	-	-	-	1,727	1,727
-	-	-	-	2,092,509	-	2,092,509
-	-	-	-	-	17,918	17,918
-	-	-	-	-	106,061	154,302
-	-	-	-	-	41,946	42,715
261,522	2,178,441	272,594	1,181,737	2,092,509	168,965	12,557,451
-	-	-	-	77,700	-	141,221
246,240	2,067,606	259,333	1,117,179	1,990,153	177,893	11,842,292
-	-	-	-	-	-	48,241
246,240	2,067,606	259,333	1,117,179	2,067,853	177,893	12,031,754
250,616	2,270,967	261,639	1,129,842	201,729	166,006	10,297,578

Adair County

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

For the Last Ten Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 3,059,585	2,940,051	2,787,863	2,811,648
Tax increment financing	155,821	224,152	228,134	197,312
Local option sales tax	389,100	384,633	331,171	288,283
Interest and penalty on property tax	32,615	31,970	24,795	30,144
Intergovernmental	4,056,407	3,570,799	3,253,022	3,698,104
Licenses and permits	10,785	7,996	5,892	8,773
Charges for service	192,838	209,970	187,939	194,725
Use of money and property	143,624	168,860	192,220	145,577
Miscellaneous	58,841	57,627	59,213	56,182
Total	\$ 8,099,616	7,596,058	7,070,249	7,430,748
Expenditures:				
Operating:				
Public safety and legal services	\$ 911,956	872,781	848,714	838,304
Physical health and social services	211,656	196,164	205,790	187,905
Mental health	822,903	899,924	832,900	738,628
County environment and education	356,852	302,639	297,218	282,131
Roads and transportation	3,225,904	3,049,285	3,208,317	3,689,971
Governmental services to residents	241,661	192,932	208,987	283,523
Administration	631,016	652,064	534,470	532,093
Debt service	310,430	236,213	392,157	204,537
Capital projects	915,695	207,174	511,154	707,302
Total	\$ 7,628,073	6,609,176	7,039,707	7,464,394

See accompanying independent auditor's report.

Modified Accrual Basis					
2005	2004	2003	2002	2001	2000
2,759,307	2,529,614	2,406,413	2,302,360	1,811,236	1,696,992
177,752	131,004	93,929	63,977	46,175	-
-	-	-	-	-	-
36,769	30,289	30,345	30,068	31,858	25,741
3,260,303	3,165,275	3,215,237	3,365,886	3,235,033	3,826,423
7,082	9,030	7,572	6,717	6,580	4,697
189,774	224,647	167,700	159,442	150,152	169,383
86,316	111,041	148,491	222,016	266,385	285,426
59,825	51,068	36,438	26,973	43,170	34,773
6,577,128	6,251,968	6,106,125	6,177,439	5,590,589	6,043,435
886,203	819,585	764,704	757,693	733,758	664,811
199,768	246,061	226,891	246,771	268,417	239,313
622,373	638,398	711,682	712,624	664,716	613,151
274,487	304,014	328,902	368,066	366,393	375,773
3,229,715	3,471,194	3,429,358	3,306,388	3,366,660	3,211,974
256,920	220,558	237,891	239,767	237,776	201,451
512,160	517,903	492,307	494,149	421,497	468,338
166,302	187,774	131,275	134,048	93,562	53,875
299,472	109,285	296,527	706,042	66,398	567,190
6,447,400	6,514,772	6,619,537	6,965,548	6,219,177	6,395,876

Schedule 6

Adair County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,698
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C001(74)-8J-01	316,694
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	90-406, Task 01	4,450
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		1,575
Refugee and Entrant Assistance - State Administered Programs	93.566		3
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		444
Foster Care - Title IV-E	93.658		944
Adoption Assistance	93.659		228
State Children's Insurance Program	93.767		13
Medical Assistance Program	93.778		2,070
Social Services Block Grant	93.667		1,032
Social Services Block Grant	93.667		31,818
			32,850
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763 DR IA	656,891
Emergency Management Performance Grants	97.042	FFY 2009	6,842
Homeland Security Grant Program	97.067	FFY 2006	3,453
Total indirect			\$ 1,028,155

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Officials of Adair County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adair County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adair County's financial statements that is more than inconsequential will not be prevented or detected by Adair County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

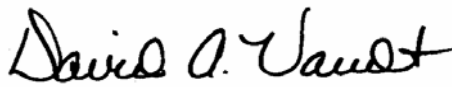
As part of obtaining reasonable assurance about whether Adair County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

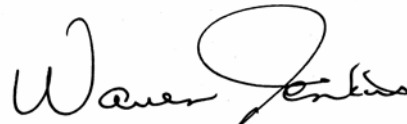
Adair County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Adair County's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair 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

October 27, 2009

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

Adair County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Adair County:

Compliance

We have audited the compliance of Adair County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. Adair 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 Adair County's management. Our responsibility is to express an opinion on Adair County's compliance based on our audit.

We have 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 Adair 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 Adair County's compliance with those requirements.

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

Internal Control Over Compliance

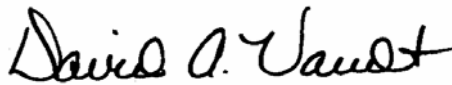
The management of Adair County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Adair County's internal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

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

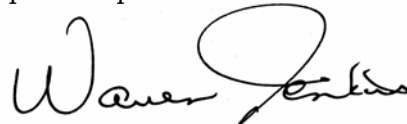
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 27, 2009

Adair County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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

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

Adair County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-09 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – The County will be using the spreadsheet provided to track grant awards, expenditures and revenues.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

IV-B-09 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

IV-D-09 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	\$ 20,868
Rick Mikkelsen, Secondary Roads Superintendent, son-in-law is part owner of R&D Services	Diesel fuel and parts	7,026

In accordance with Chapter 331.342(10) of the Code of Iowa, the purchase of insurance and diesel fuel and parts may represent conflicts of interest since the transactions exceeded \$1,500 during the fiscal year.

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

Response – R&D Services is the only provider of off road diesel in Stuart. The County will consult the County Attorney.

Conclusion – Response accepted.

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

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 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.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.


Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

Adair County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Tammy A. Hollingsworth, Senior Auditor II
Michael D. Eckard, Staff Auditor
Shelley M. Klingbeil, Staff Auditor
James R. Wittenwyler, Staff Auditor
Ainslee M. Barnes, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State