



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 27, 2012

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$61,654,499 for the year ended June 30, 2011, which included \$1,663,599 in tax credits from the state. The County forwarded \$49,874,294 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,780,205 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$3,179,218, operating grants, contributions and restricted interest of \$6,194,583, capital grants, contributions and restricted interest of \$1,396,004, unrestricted investment earnings of \$72,193 and other general revenues of \$243,019.

Expenses for County operations totaled \$23,088,817 a 6.9% increase over the prior year. Expenses included \$6,563,956 for roads and transportation, \$4,325,452 for public safety and legal services and \$3,898,298 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/1110-0091-B00F.pdf>.

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WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Warren County

Officials

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Grace	Board of Supervisors	Jan 2011
G. Kevin Middleswart	Board of Supervisors	Jan 2011
Doug Shull	Board of Supervisors	Jan 2013
Traci Vander Linden	County Auditor	Jan 2013
Julie Daugherty	County Treasurer	Jan 2011
Polly Glascock	County Recorder	Jan 2011
James Lee	County Sheriff	Jan 2013
Brian Tingle	County Attorney	Jan 2011
Brian Arnold	County Assessor	Jan 2016

(After January 2011)

Doug Shull	Board of Supervisors	Jan 2013
Steve Wilson	Board of Supervisors	Jan 2015
Dean Yordi	Board of Supervisors	Jan 2015
Traci Vander Linden	County Auditor	Jan 2013
Julie Daugherty	County Treasurer	Jan 2015
Polly Glascock	County Recorder	Jan 2015
James Lee	County Sheriff	Jan 2013
John Criswell	County Attorney	Jan 2015
Brian Arnold	County Assessor	Jan 2016

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Warren 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 Warren County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2011 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren 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, 2010 (which are not presented herein) and expressed unqualified opinions on the financial statements for the eight years ended June 30, 2010 and a qualified opinion on the financial statements for the year ended June 30, 2002 due to the effects of the omission of the general fixed assets account group. 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

December 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 11.2%, or approximately \$2,872,000, from fiscal year 2010 to fiscal year 2011. Property tax decreased approximately \$20,000, operating grants, contributions and restricted interest decreased approximately \$2,217,000, capital grants, contributions and restricted interest decreased approximately \$1,096,000 and charges for service increased approximately \$498,000.
- Program expenses were 6.9%, or approximately \$1,488,000, more in fiscal year 2011 than in fiscal year 2010. Mental health and physical health and social services function expenses increased approximately \$991,000 and \$394,000, respectively. Roads and transportation function expenses decreased approximately \$425,000.
- The County's net assets decreased less than 1%, or approximately \$224,000, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental 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, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, E911 service board and the County Assessor, to name a few.

The financial statement required 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. Warren County's combined net assets decreased less than 1% from a year ago, decreasing from approximately \$44.9 million to approximately \$44.7 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 20,822	20,987
Capital assets	37,698	37,291
Total assets	<u>58,520</u>	<u>58,278</u>
Long-term liabilities	1,211	1,133
Other liabilities	12,653	12,265
Total liabilities	<u>13,864</u>	<u>13,398</u>
Net assets:		
Invested in capital assets	37,698	37,291
Restricted	3,157	3,120
Unrestricted	<u>3,801</u>	<u>4,469</u>
Total net assets	<u>\$ 44,656</u>	<u>44,880</u>

Net assets of Warren County's governmental activities decreased approximately \$224,000 (approximately \$44.9 million compared to approximately \$44.7 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

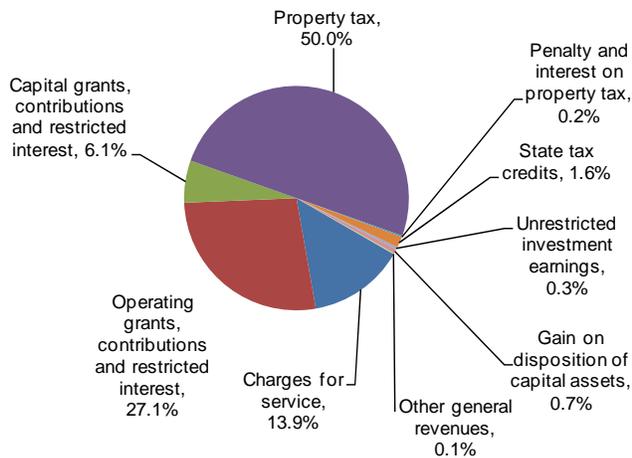
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset category increased approximately \$37,000, or 1.2%, over the prior year.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$4.5 million at June 30, 2010 to approximately \$3.8 million at the end of this year, a decrease of 14.9%. This decrease of approximately \$668,000 was primarily due to reclassification of funds held in the Special Revenue, Rural Services Fund from unrestricted net assets to restricted net assets as a result of implementation of GASB Statement No. 54 and an increase in the OPEB liability.

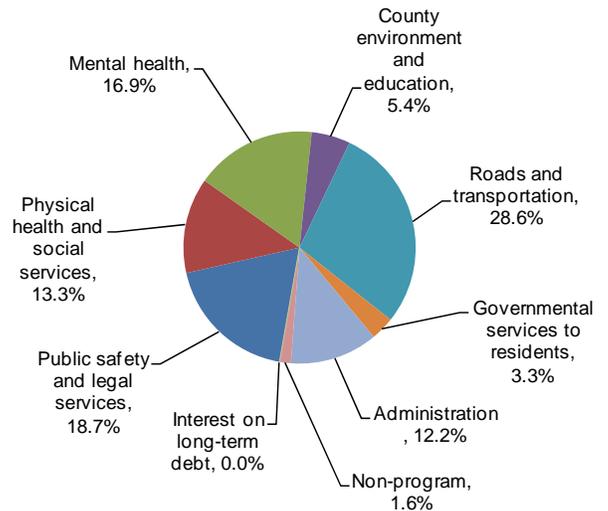
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 3,179	2,681
Operating grants, contributions and restricted interest	6,195	8,412
Capital grants, contributions and restricted interest	1,396	2,492
General revenues:		
Property tax	11,424	11,444
Penalty and interest on property tax	45	173
State tax credits	356	389
Unrestricted investment earnings	72	76
Gain on disposition of capital assets	165	23
Other general revenues	33	47
Total revenues	22,865	25,737
Program expenses:		
Public safety and legal services	4,325	4,072
Physical health and social services	3,072	2,678
Mental health	3,899	2,908
County environment and education	1,240	1,225
Roads and transportation	6,564	6,989
Governmental services to residents	772	759
Administration	2,827	2,640
Non-program	379	309
Interest on long-term debt	11	21
Total expenses	23,089	21,601
Increase in net assets	(224)	4,136
Net assets beginning of year	44,880	40,744
Net assets end of year	\$ 44,656	44,880

Revenues by Source



Expenses by Program



Warren County's net assets of governmental activities decreased approximately \$224,000 during the year. Revenues for governmental activities decreased approximately \$2,872,000 from the prior year, with property tax revenue down from the prior year approximately \$20,000. Operating grants, contributions and restricted interest decreased approximately \$2,217,000, or 26.4%. Capital grants, contributions and restricted interest decreased approximately \$1,096,000, or 44%. The decrease in operating grants, contributions and restricted interest is primarily due to a decrease in State funding. The County was eligible for more mental health state funding in fiscal year 2010 due to the County's fund balance to expenditures ratio at the beginning of that year. The decrease in capital grants, contributions and restricted interest is primarily due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation, offset by a land donation for a conservation wetlands project in the prior year.

The County decreased property tax rates for fiscal year 2011 an average of 3%. Due to an increase in assessed valuations of approximately \$34 million, or 2.3%, the decrease in property tax rates only slightly decreased the County's property tax revenue by approximately \$20,000. Based on increases in the total assessed valuation and decreases in property tax levies, property tax revenue is budgeted to decrease approximately \$30,000 for fiscal year 2012.

The cost of all governmental activities this year was approximately \$23.1 million compared to approximately \$21.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$12.3 million because some of the cost was paid by those directly benefited from the programs (\$3.2 million) or by other governments and organizations which subsidized certain programs with grants and contributions (\$7.6 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$13.6 million in fiscal year 2010 to approximately \$10.8 million in fiscal year 2011, principally due to operating grants for mental health services and capital grants and contributions for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$11.4 million in taxes and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of approximately \$7.8 million, a decrease of approximately \$23,000 below last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$132,000 from the prior year, due principally to decreases in grants for capital projects offset by an increase in grants for physical health and social services programs. Additionally, expenditures increased approximately \$777,000 over the prior year. This increase was primarily due to the purchase of secondary roads equipment and increases in decategorization grant activity, maternal child health care grant expenditures and the demand for substance abuse and juvenile shelter services. Expenditures also increased for juvenile home and detention services. Additionally, capital project expenditures decreased due to projects completed in the previous year, including a land purchase for conservation wetlands area and an energy efficiency project. This decrease in costs was offset by a new project in fiscal year 2011 for courthouse roof repair. The ending fund balance decreased approximately \$175,000 from the prior year to approximately \$4,575,000.
- Mental Health Fund revenues decreased approximately \$905,000 from the prior year due to a decrease in funding from the State of Iowa. The County was eligible for more funding from the State during fiscal year 2010 because of the County's fund balance to expenditures ratio. Also, the number of clients served in the case management program increased in fiscal year 2011, thereby increasing revenues. Expenditures for fiscal year 2011 totaled approximately \$3,906,000, an increase of approximately \$1,010,000, or 35%.

over the prior year which was attributable to the expansion in the case management program and an increase in provider costs and demand for services. The Mental Health Fund balance at year end decreased approximately \$1,333,000 from the prior year which was primarily due to the state funding level decreasing and the increase in demand for services.

- Rural Services Fund revenues increased approximately \$26,000 over the prior year due to an increase in property tax revenue. Expenditures decreased approximately \$90,000 from the prior year. This decrease was primarily in the roads and transportation function due to a reduction in the direct purchase of maintenance rock out of the Rural Services Fund from fiscal year 2010 to fiscal year 2011. Additionally, transfers to the Secondary Roads Fund increased approximately \$95,000. These changes resulted in an increase in the Rural Services Fund balance of approximately \$24,000.
- Secondary Roads Fund revenues decreased approximately \$570,000 from the prior year, primarily due to a decrease in Federal Emergency Management Agency (FEMA) and bridge replacement grants offset by an increase in road use tax revenue during fiscal year 2011. Secondary Roads Fund expenditures decreased approximately \$2,068,000 from the prior year, due principally to construction costs associated with FEMA and bridge projects and the purchase of equipment in the prior year. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$1,426,000, or 269%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget one time. The amendment was made on May 17, 2011. This amendment resulted in a decrease in budgeted disbursements related to bridge construction that did not occur. The amendment also included an increase in physical health and social services disbursements due to the introduction of a maternal child care grant and clean up of an illegal dump site.

The County's receipts were \$101,835 more than budgeted, a variance of .48%. The most significant variance resulted from the County receiving more in intergovernmental receipts than anticipated, primarily due to road use tax receipts being greater than estimated and Federal Emergency Management Agency grants being collected from previous year's disasters. Also, intergovernmental revenues were less for decategorization grants since these are budgeted for the entire eligible amount, but not all funds were received.

Total disbursements were \$1,030,768 less than the amended budget. Actual disbursements for the county environment, capital projects, physical health and social services and administration functions were \$253,885, \$216,986, \$178,691 and \$168,473, respectively, less than budgeted. County environment was due to a trail project and FEMA repairs not being completed within the fiscal year. Capital projects was primarily due to a bridge project not being completed during the fiscal year and budgeted undefined projects not completed. Physical health and social services was less than planned, primarily due to grants not being utilized for the allowed amount. Administration was less due to lower than expected payments for outside legal assistance, damages and claims, lower energy costs for county buildings, and a reduction in administrative staff.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Warren County had approximately \$37.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$407,000, or 1.1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 1,720	1,708
Intangibles	97	97
Buildings and improvements	5,996	5,848
Equipment and vehicles	2,622	2,675
Infrastructure	27,263	26,963
Total	\$ 37,698	37,291
This year's major additions included (in thousands):		
Roads		\$ 903
Courthouse annex		635
Engineer and other equipment		619
Total		\$ 2,157

The County had depreciation expense of \$1,897,073 in fiscal year 2011 and total accumulated depreciation of \$22,379,752 at June 30, 2011.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2011, Warren County had \$190,835 in general obligation notes outstanding compared to \$208,000 at June 30, 2010, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation notes	\$ 191	208
Capital lease purchase agreements	6	19
Total	\$ 197	227

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$149 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

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.4% versus 6.4% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.2%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 3.9% for fiscal year 2011 compared with the national rate of 3.6%. After the end of fiscal year 2011 the Consumer Price Index increased slightly due to a decrease in energy costs coupled with an increase in food, shelter and medical care costs. As of October 2011, the Midwest Region of the Department of Labor CPI was 3.3% compared with the national rate of 3.5%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$21.5 million, an increase of \$435,000 over the final fiscal year 2011 budget. Increase in property tax valuations, new grants for bridges and maternal child health and reimbursements for mental health case management services are expected to be the source of this increase. Budgeted disbursements are expected to increase slightly, approximately \$74,000, over the final fiscal year 2011 budget. Warren County reduced budgeted capital projects and county environment function disbursements due to the courthouse annex building renovations and trail and FEMA projects being completed. The County has increased mental health services due to an increase in employed case managers to manage the growth in clients served and prescriptions. The County also increased physical health and social services for an increase in the maternal child health program and the County's contribution for the congregate meals program. The County also considered the effect inflation and consumer demands for services have on program costs.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$772,000, or 11.4%, by the close of fiscal year 2012. The Mental Health Fund is budgeted to decrease \$620,000 by the end of fiscal year 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Warren 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 Warren County Auditor's Office, 301 N Buxton Street, Suite 101, Indianola, Iowa 50125.

Basic Financial Statements

Exhibit A

Warren County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,919,929
Receivables:	
Property tax:	
Delinquent	28,678
Succeeding year	11,178,000
Interest and penalty on property tax	135,981
Accounts	100,156
Accrued interest	10,949
Due from other governments	1,108,157
Inventories	293,028
Prepaid insurance	47,262
Capital assets (net of accumulated depreciation)	<u>37,698,031</u>
Total assets	<u>58,520,171</u>
Liabilities	
Accounts payable	451,647
Accrued interest payable	5,346
Salaries and benefits payable	153,041
Due to other governments	865,045
Deferred revenue:	
Succeeding year property tax	11,178,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	17,886
Capital lease purchase agreements	6,620
Compensated absences	402,349
Portion due or payable after one year:	
General obligation notes	172,949
Compensated absences	239,330
Net OPEB liability	<u>372,000</u>
Total liabilities	<u>13,864,213</u>
Net Assets	
Invested in capital assets	37,698,031
Restricted for:	
Supplemental levy purposes	166,344
Mental health purposes	338,343
Rural services purposes	583,655
Secondary roads purposes	1,694,433
Other purposes	374,195
Unrestricted	<u>3,800,957</u>
Total net assets	<u>\$ 44,655,958</u>

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2011

	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	\$ 4,325,452	415,811	327,540	-	(3,582,101)
Physical health and social services	3,072,279	577,959	1,263,464	-	(1,230,856)
Mental health	3,898,298	560,101	962,927	-	(2,375,270)
County environment and education	1,239,418	138,812	66,185	50,000	(984,421)
Roads and transportation	6,563,956	114,297	3,572,092	1,346,004	(1,531,563)
Governmental services to residents	772,315	799,541	335	-	27,561
Administration	2,827,208	147,612	-	-	(2,679,596)
Non-program	378,718	425,085	2,040	-	48,407
Interest on long-term debt	11,173	-	-	-	(11,173)
Total	<u>\$ 23,088,817</u>	<u>3,179,218</u>	<u>6,194,583</u>	<u>1,396,004</u>	<u>(12,319,012)</u>
General Revenues:					
Property and other county tax levied for general purposes					11,423,938
Penalty and interest on property tax					44,573
State tax credits					356,267
Unrestricted investment earnings					72,193
Gain on disposition of capital assets					165,252
Miscellaneous					33,194
Total general revenues					<u>12,095,417</u>
Change in net assets					(223,595)
Net assets beginning of year					<u>44,879,553</u>
Net assets end of year					<u>\$ 44,655,958</u>

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 4,566,100	1,098,588	634,307
Receivables:			
Property tax:			
Delinquent	17,176	2,251	8,426
Succeeding year	7,744,000	1,006,000	2,428,000
Interest and penalty on property tax	135,981	-	-
Accounts	69,004	5,334	148
Accrued interest	10,949	-	-
Due from other funds	10,537	-	-
Due from other governments	406,271	128,723	-
Inventories	-	-	-
Prepaid insurance	47,262	-	-
Total assets	\$ 13,007,280	2,240,896	3,070,881
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 274,766	110,141	3,719
Salaries and benefits payable	102,692	10,420	7,002
Due to other funds	11,298	10,092	20,624
Due to other governments	115,000	746,600	-
Deferred revenue:			
Succeeding year property tax	7,744,000	1,006,000	2,428,000
Other	184,923	20,953	8,277
Total liabilities	8,432,679	1,904,206	2,467,622
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	47,262	-	-
Restricted for:			
Supplemental levy purposes	227,070	-	-
Mental health purposes	-	336,690	-
Rural services purposes	-	-	603,259
Secondary roads purposes	-	-	-
Other purposes	-	-	-
Assigned for:			
Future jail expansion	654,857	-	-
Secondary roads equipment	-	-	-
Unassigned	3,645,412	-	-
Total fund balances	4,574,601	336,690	603,259
Total liabilities and fund balances	\$ 13,007,280	2,240,896	3,070,881

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,244,085	376,849	7,919,929
-	825	28,678
-	-	11,178,000
-	-	135,981
8,958	-	83,444
-	-	10,949
56,363	589	67,489
529,352	-	1,064,346
238,517	-	238,517
-	-	47,262
<u>2,077,275</u>	<u>378,263</u>	<u>20,774,595</u>
58,953	4,068	451,647
32,927	-	153,041
24,559	-	66,573
3,353	-	864,953
-	-	11,178,000
-	-	214,153
<u>119,792</u>	<u>4,068</u>	<u>12,928,367</u>
238,517	-	238,517
-	-	47,262
-	-	227,070
-	-	336,690
-	-	603,259
1,604,111	-	1,604,111
-	374,195	374,195
-	-	654,857
114,855	-	114,855
-	-	3,645,412
<u>1,957,483</u>	<u>374,195</u>	<u>7,846,228</u>
<u>2,077,275</u>	<u>378,263</u>	<u>20,774,595</u>

Warren County

Warren County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 7,846,228

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 governmental funds. The cost of assets is \$59,985,450 and the accumulated depreciation is \$22,341,869. 37,643,581

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 214,153

The Internal Service Fund is used by management to charge the costs of fuel station services to individual funds and other entities. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets, as follows:

Capital assets of \$92,333 less accumulated depreciation of \$37,883	\$ 54,450	
Other net assets	114,026	168,476

Long-term liabilities, including notes payable, capital lease purchase agreements payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,216,480)

Net assets of governmental activities (page 16) \$ 44,655,958

See notes to financial statements.

Warren County

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

Year ended June 30, 2011

	General	Mental Health
Revenues:		
Property and other county tax	\$ 7,911,308	1,036,736
Interest and penalty on property tax	131,188	-
Intergovernmental	2,413,513	1,412,311
Licenses and permits	22,959	-
Charges for service	1,080,474	-
Use of money and property	81,526	-
Miscellaneous	377,136	123,902
Total revenues	<u>12,018,104</u>	<u>2,572,949</u>
Expenditures:		
Operating:		
Public safety and legal services	4,290,448	-
Physical health and social services	3,042,371	-
Mental health	-	3,906,062
County environment and education	798,488	-
Roads and transportation	100,000	-
Governmental services to residents	767,289	-
Administration	2,478,993	-
Non-program	-	-
Debt service	25,905	-
Capital projects	531,375	-
Total expenditures	<u>12,034,869</u>	<u>3,906,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,765)</u>	<u>(1,333,113)</u>
Other financing sources (uses):		
Sale of capital assets	7,893	-
Operating transfers in	13,792	-
Operating transfers out	(179,952)	-
Total other financing sources (uses)	<u>(158,267)</u>	<u>-</u>
Net change in fund balances	(175,032)	(1,333,113)
Fund balances beginning of year, as restated	<u>4,749,633</u>	<u>1,669,803</u>
Fund balances end of year	<u>\$ 4,574,601</u>	<u>336,690</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,486,776	-	-	11,434,820
-	-	-	131,188
80,594	4,330,286	22,322	8,259,026
23,700	4,140	-	50,799
2,000	-	23,841	1,106,315
-	1,440	590	83,556
3,771	94,794	85,855	685,458
2,596,841	4,430,660	132,608	21,751,162
-	-	4,413	4,294,861
-	-	-	3,042,371
-	-	-	3,906,062
262,167	-	55,908	1,116,563
368,681	5,005,007	-	5,473,688
2,033	-	3,009	772,331
-	-	-	2,478,993
-	-	281	281
-	-	-	25,905
-	130,572	20,182	682,129
632,881	5,135,579	83,793	21,793,184
1,963,960	(704,919)	48,815	(42,022)
-	11,502	-	19,395
-	2,119,758	-	2,133,550
(1,939,806)	-	(13,792)	(2,133,550)
(1,939,806)	2,131,260	(13,792)	19,395
24,154	1,426,341	35,023	(22,627)
579,105	531,142	339,172	7,868,855
603,259	1,957,483	374,195	7,846,228

Warren County

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

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 23) \$ (22,627)

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	\$ 997,963	
Capital assets contributed by the Iowa Department of Transportation	1,160,649	
Depreciation expense	<u>(1,889,278)</u>	269,334

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 145,857

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	(10,881)	
Other	<u>(626,045)</u>	(636,926)

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. 29,477

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	11,750	
Other postemployment benefits	(118,992)	
Interest on long-term debt	<u>(2,433)</u>	(109,675)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual funds and other entities. The change in net assets of the Internal Service Fund is reported with governmental activities. 100,965

Change in net assets of governmental activities (page 17) \$ (223,595)

See notes to financial statements.

Warren County
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Internal Service - Fuel Station
Assets	
Accounts receivable	\$ 16,712
Due from other funds	34,948
Due from other governments	43,811
Inventories	54,511
Capital assets, net of accumulated depreciation of \$37,883	54,450
Total assets	204,432
Liabilities	
Due to other funds	35,864
Due to other governments	92
Total liabilities	35,956
Net Assets	
Invested in capital assets	54,450
Unrestricted	114,026
Total net assets	\$ 168,476

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2011

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 392,164
Reimbursements from other governments		398,219
Fuel and other tax refunds		<u>24,131</u>
Total operating revenues		814,514
Operating expenses:		
Fuel	\$ 674,118	
State fuel and other taxes	26,966	
Clerical	400	
Utilities	774	
Insurance	1,254	
Repairs	2,112	
Tank fees	130	
Depreciation	<u>7,795</u>	<u>713,549</u>
Operating income		100,965
Net assets beginning of year		<u>67,511</u>
Net assets end of year		<u><u>\$ 168,476</u></u>

See notes to financial statements.

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

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 380,635
Cash received from other governments	380,072
Cash received from other sources	24,131
Cash paid for personnel services	(400)
Cash paid to suppliers	(814,785)
Net cash used by operating activities	(30,347)
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	30,347
Net change in cash and cash equivalents	-
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ -
 Reconciliation of operating income to net cash used by operating activities:	
Operating income	
Adjustments to reconcile operating income to net cash used by operating activities:	\$ 100,965
Depreciation	7,795
Increase in accounts receivable	(9,555)
Increase in due from other funds	(11,529)
Increase in due from other governments	(8,657)
Increase in inventories	(21,310)
Decrease in accounts payable	(88,083)
Decrease in due to other funds	(38)
Increase in due to other governments	65
Net cash used by operating activities	\$ (30,347)

See notes to financial statements.

Warren County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:

County Treasurer	\$ 2,725,468
Other County officials	121,090

Receivables:

Property tax:

Delinquent	124,494
Succeeding year	47,133,000

Accounts	46,002
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Special assessments	2,571,000
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Due from other governments	54,083
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Total assets	<u>52,775,137</u>
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Liabilities

Accounts payable	57,561
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Salaries and benefits payable	9,316
-------------------------------	-------

Due to other governments	52,458,707
--------------------------	------------

Trusts payable	216,426
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Compensated absences	33,127
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Total liabilities	<u>52,775,137</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

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

The Friends of Warren County Conservation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for development and enhancement of environmental education and conservation projects within the scope of the jurisdiction of the Warren County Conservation Board. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Joint Venture – The County operates a Joint Vehicle Fueling Facility under a 28E agreement with the City of Indianola and the Indianola Community School District. The County records the activity of this joint venture in a Proprietary Fund.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa or incorporated under Iowa law: The Housing Authority of Warren County, the Central Iowa Regional Transportation Planning Alliance and the Des Moines Area Metropolitan Planning Organization.

The County also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a jointly governed organization established pursuant to Chapter 28E of the Iowa Code. Prior to July 1, 2004, the WRA operated as a joint venture, with the City of Des Moines as the operating agency. The County’s interest in the joint venture was approximately 1.42%, which has been transferred in its entirety to the Greenfield Plaza Hills of Coventry Sanitary Sewer District and the Lakewood Benefited Sanitary Sewer District (City of Norwalk) through a separate 28E agreement. The Greenfield Plaza Hills of Coventry Sanitary Sewer District and the City of Norwalk have been included as participating communities in the Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority dated July 1, 2004.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. 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 the following 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 to be used to fund mental health, mental retardation and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary roads 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

Due from 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, 2011, 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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	100,000
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
Intangibles	5-20
Equipment	3-20
Vehicles	5-15

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough

thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other classifications.

Net Assets - The net assets of the Internal Service, Fuel Station Fund is designated for operation of the fuel station.

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

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$119,884 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 10,092
	Rural Services	88
	Secondary Roads	320
	Internal Service:	
	Fuel Station	37
Special Revenue:		
Secondary Roads	Special Revenue:	
	Rural Services	20,536
	Internal Service:	
	Fuel Station	35,827
County Recorder's Records		
Management	General	260
Resource Enhancement		
and Protection	General	182
Lacona Meal Site	General	147
Internal Service:		
Fuel Station	General	10,709
	Special Revenue:	
	Secondary Roads	24,239
Total		<u>\$ 102,437</u>

These balances result 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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Debt Service	\$ 13,792
Special Revenue:		
Secondary Roads	General	179,952
	Special Revenue:	
	Rural Services	<u>1,939,806</u>
Total		<u>\$ 2,133,550</u>

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, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>		<u>End</u>	
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,707,539	12,750	-	1,720,289
Construction in progress	1,042,998	1,565,815	1,538,381	1,070,432
Intangibles	97,211	-	-	97,211
Total capital assets not being depreciated	<u>2,847,748</u>	<u>1,578,565</u>	<u>1,538,381</u>	<u>2,887,932</u>
Capital assets being depreciated:				
Buildings	7,972,263	709,662	-	8,681,925
Improvements other than buildings	703,050	-	-	703,050
Equipment and vehicles	7,300,606	656,447	692,631	7,264,422
Equipment, internal service	92,333	-	-	92,333
Infrastructure, road network	38,167,771	903,319	-	39,071,090
Infrastructure, other	1,377,031	-	-	1,377,031
Total capital assets being depreciated	<u>55,613,054</u>	<u>2,269,428</u>	<u>692,631</u>	<u>57,189,851</u>
Less accumulated depreciation for:				
Buildings	3,110,709	266,971	-	3,377,680
Improvements other than buildings	42,665	18,471	-	61,136
Equipment and vehicles	4,688,210	695,972	687,488	4,696,694
Equipment, internal service	30,088	7,795	-	37,883
Infrastructure, road network	12,885,385	861,963	-	13,747,348
Infrastructure, other	413,110	45,901	-	459,011
Total accumulated depreciation	<u>21,170,167</u>	<u>1,897,073</u>	<u>687,488</u>	<u>22,379,752</u>
Total capital assets being depreciated, net	<u>34,442,887</u>	<u>372,355</u>	<u>5,143</u>	<u>34,810,099</u>
Governmental activities capital assets, net	<u>\$ 37,290,635</u>	<u>1,950,920</u>	<u>1,543,524</u>	<u>37,698,031</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 101,204
Physical health and social services	10,476
County environment and education	129,074
Roads and transportation	1,403,285
Governmental services to residents	1,434
Administration	<u>243,805</u>
Total depreciation expense - governmental activities, excluding the Internal Service Fund	<u>\$ 1,889,278</u>
Depreciation expense charged to the Internal Service Fund	<u>\$ 7,795</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	<u>\$ 115,000</u>
Special Revenue:		
Mental Health	Services	746,600
Secondary Roads	Services	<u>3,353</u>
		<u>749,953</u>
Total for governmental funds		<u><u>\$ 864,953</u></u>
Agency:		
County Assessor	Collections	\$ 723,645
Schools		31,193,464
Community Colleges		902,939
Corporations		14,256,916
Townships		527,562
Auto License and Use Tax		1,034,035
All other		<u>3,820,146</u>
Total for agency funds		<u><u>\$ 52,458,707</u></u>

(7) Long-Term Liabilities

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

	<u>General</u>	<u>Capital</u>	<u>Compen-</u>	<u>Net</u>	
	<u>Obligation</u>	<u>Lease</u>	<u>sated</u>	<u>OPEB</u>	
	<u>Notes</u>	<u>Purchase</u>	<u>Absences</u>	<u>Liability</u>	<u>Total</u>
		<u>Agreements</u>			
Balance beginning					
of year	\$ 208,000	18,932	653,429	253,008	1,133,369
Increases	-	-	609,976	166,392	776,368
Decreases	17,165	12,312	621,726	47,400	698,603
Balance end of year	<u>\$ 190,835</u>	<u>6,620</u>	<u>641,679</u>	<u>372,000</u>	<u>1,211,134</u>
Due within one year	<u>\$ 17,886</u>	<u>6,620</u>	<u>402,349</u>	<u>-</u>	<u>426,855</u>

General Obligation Notes

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

Year Ending June 30,	Issued November 5, 2009			
	Interest Rates	Principal	Interest	Total
2012	4.125 - 4.25%	\$ 17,886	8,019	25,905
2013	4.125 - 4.25	18,638	7,267	25,905
2014	4.125 - 4.25	19,421	6,484	25,905
2015	4.125 - 4.25	20,237	5,668	25,905
2016	4.125 - 4.25	21,087	4,818	25,905
2017 - 2020	4.125 - 4.25	93,566	10,031	103,597
Total		<u>\$ 190,835</u>	<u>42,287</u>	<u>233,122</u>

During the year ended June 30, 2011, the County retired \$17,165 of general obligation notes.

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements for 15 health monitors with an historical cost of \$54,348. The following is a schedule of the future minimum lease payments, including interest at 8.9% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 6,793
Less amount representing interest	<u>(173)</u>
Present value of net minimum lease payments	<u>\$ 6,620</u>

Payments under capital lease purchase agreements totaled \$13,500 for the year ended June 30, 2011.

(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 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$589,471, \$540,284 and \$485,782, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 170 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 20 years of service.

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

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

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

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

Annual required contribution	\$ 166,232
Interest on net OPEB obligation	10,100
Adjustment to annual required contribution	<u>(9,940)</u>
Annual OPEB cost	166,392
Contributions made	<u>(47,400)</u>
Increase in net OPEB obligation	118,992
Net OPEB obligation beginning of year	<u>253,008</u>
Net OPEB obligation end of year	<u>\$ 372,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$47,400 to the medical plan. Plan members eligible for benefits contributed \$37,679, or 44% of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 166,232	18.1%	\$ 136,176
2010	166,432	29.8%	253,008
2011	166,392	28.5%	372,000

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,227,468, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,227,468. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,493,000 and the ratio of the UAAL to covered payroll was 16.4%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9%. The ultimate health trend rate is 4.5%. The health trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,293 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of 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 645 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 150 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, 2011 were \$184,419.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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 \$1,000,000 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.

(11) Joint Vehicle Fueling Facility

The County, under a 28E agreement with the City of Indianola and the Indianola School District, has agreed to design, construct and operate a “Joint Vehicle Fueling Facility”. The County is the owner/operator with the County Engineer administering the facility. The cost of constructing the facility is shared under the following percentages: Warren County, 53%, City of Indianola, 18%, and the Indianola Community School District, 29%. All annual operating expenses are shared in the same ratio. The cost of fuel provided to members is on an individual usage basis at the same cost paid by the Joint Venture. Upon termination or closure, no money will be returned to any of the parties. The County accounts for the project and fuel reimbursements in an Internal Service Fund.

(12) Pending Litigation

The County is a defendant in lawsuits for which the probability and amount of loss, if any, is undeterminable.

(13) Accounting Change/Restatement

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

	General	Nonmajor - Special Revenue, County Attorney Court Fees
Balances June 30, 2010, as previously reported	\$ 4,664,357	85,276
Change in fund type classification per implementation of GASB 54	85,276	(85,276)
Balances July 1, 2010, as restated	\$ 4,749,633	-

Warren County

Required Supplementary Information

Warren County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,435,074	-	11,435,074
Interest and penalty on property tax	131,792	-	131,792
Intergovernmental	7,793,550	-	7,793,550
Licenses and permits	49,659	-	49,659
Charges for service	1,070,286	-	1,070,286
Use of money and property	94,555	-	94,555
Miscellaneous	700,028	64,750	635,278
Total receipts	21,274,944	64,750	21,210,194
Disbursements:			
Public safety and legal services	4,140,083	-	4,140,083
Physical health and social services	2,940,796	-	2,940,796
Mental health	3,375,299	-	3,375,299
County environment and education	1,107,897	46,671	1,061,226
Roads and transportation	5,655,210	-	5,655,210
Governmental services to residents	769,103	-	769,103
Administration	2,455,298	-	2,455,298
Nonprogram	282	-	282
Debt service	25,905	-	25,905
Capital projects	818,788	-	818,788
Total disbursements	21,288,661	46,671	21,241,990
Excess (deficiency) of receipts over (under) disbursements	(13,717)	18,079	(31,796)
Other financing sources, net	11,643	-	11,643
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,074)	18,079	(20,153)
Balance beginning of year	7,922,003	79,415	7,842,588
Balance end of year	\$ 7,919,929	97,494	7,822,435

See accompanying independent auditor's report.

Budgeted Amounts		Final to	
Original	Final	Net	
		Variance	
11,380,438	11,380,438	54,636	
140,800	140,800	(9,008)	
8,598,333	7,709,982	83,568	
53,750	53,750	(4,091)	
1,165,939	1,165,939	(95,653)	
133,582	133,582	(39,027)	
520,904	523,868	111,410	
21,993,746	21,108,359	101,835	
-	4,158,007	4,213,157	73,074
-	2,988,026	3,119,487	178,691
-	3,381,838	3,381,838	6,539
-	1,210,111	1,315,111	253,885
-	6,296,824	5,757,824	102,614
-	794,891	794,891	25,788
-	2,623,771	2,623,771	168,473
-	5,000	5,000	4,718
-	25,905	25,905	-
-	1,628,924	1,035,774	216,986
-	23,113,297	22,272,758	1,030,768
-	(1,119,551)	(1,164,399)	1,132,603
-	23,000	23,000	(11,357)
-	(1,096,551)	(1,141,399)	1,121,246
-	6,999,159	7,766,200	76,388
-	5,902,608	6,624,801	1,197,634

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 21,274,944	476,218	21,751,162
Expenditures	21,288,661	504,523	21,793,184
Net	(13,717)	(28,305)	(42,022)
Other financing sources, net	11,643	7,752	19,395
Beginning fund balances	7,922,003	(53,148)	7,868,855
Ending fund balances	\$ 7,919,929	(73,701)	7,846,228

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit and the 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$840,539. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

Warren County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 1,227	1,227	0.00%	\$ 7,156	17.1%
2010	Jul 1, 2008	-	1,227	1,227	0.00%	7,138	17.2%
2011	Jul 1, 2008	-	1,227	1,227	0.00%	7,493	16.4%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Warren County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Assets				
Cash and pooled investments	\$ 79,159	61,751	383	6,250
Accounts receivable	-	-	-	-
Due from other funds	260	182	-	-
Total assets	\$ 79,419	61,933	383	6,250
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Fund balances:				
Restricted for other purposes:	79,419	61,933	383	6,250
Total liabilities and fund equity	\$ 79,419	61,933	383	6,250

See accompanying independent auditor's report.

Special Revenue					
Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Liberty Center	Capital Projects	Total
85,338	35,362	97,494	7,119	3,993	376,849
-	-	-	825	-	825
-	147	-	-	-	589
85,338	35,509	97,494	7,944	3,993	378,263
3,115	-	-	953	-	4,068
82,223	35,509	97,494	6,991	3,993	374,195
82,223	35,509	97,494	6,991	3,993	378,263

Warren County

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

Year ended June 30, 2011

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Revenues:				
Intergovernmental	\$ -	22,322	-	-
Charges for service	9,354	-	-	-
Use of money and property	261	182	-	-
Miscellaneous	-	-	-	636
Total revenues	<u>9,615</u>	<u>22,504</u>	<u>-</u>	<u>636</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	3,009	-	-	-
Non-program	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>3,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	6,606	22,504	-	636
Other financing uses:				
Operating transfers out	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	6,606	22,504	-	636
Fund balances beginning of year, as restated	<u>72,813</u>	<u>39,429</u>	<u>383</u>	<u>5,614</u>
Fund balances end of year	<u>\$ 79,419</u>	<u>61,933</u>	<u>383</u>	<u>6,250</u>

See accompanying independent auditor's report.

Special Revenue						
Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Liberty Center	Debt Service	Capital Projects	Total
-	-	-	-	-	-	22,322
-	-	-	14,487	-	-	23,841
-	147	-	-	-	-	590
19,292	-	64,750	1,177	-	-	85,855
19,292	147	64,750	15,664	-	-	132,608
4,413	-	-	-	-	-	4,413
-	-	46,671	9,237	-	-	55,908
-	-	-	-	-	-	3,009
-	281	-	-	-	-	281
-	17,681	-	-	-	2,501	20,182
4,413	17,962	46,671	9,237	-	2,501	83,793
14,879	(17,815)	18,079	6,427	-	(2,501)	48,815
-	-	-	-	(13,792)	-	(13,792)
14,879	(17,815)	18,079	6,427	(13,792)	(2,501)	35,023
67,344	53,324	79,415	564	13,792	6,494	339,172
82,223	35,509	97,494	6,991	-	3,993	374,195

Warren County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	896	264,478	291,341
Other County officials	121,090	-	-	-
Receivables:				
Property tax:				
Delinquent	-	201	1,039	71,123
Succeeding year	-	89,000	484,000	30,831,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 121,090	90,097	749,517	31,193,464
Liabilities				
Accounts payable	\$ -	-	1,696	-
Salaries and benefits payable	-	-	5,741	-
Due to other governments	28,900	90,097	723,645	31,193,464
Trusts payable	92,190	-	-	-
Compensated absences	-	-	18,435	-
Total liabilities	\$ 121,090	90,097	749,517	31,193,464

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
8,121	101,365	5,850	1,034,035	1,019,382	2,725,468
-	-	-	-	-	121,090
1,818	48,551	1,712	-	50	124,494
893,000	14,107,000	520,000	-	209,000	47,133,000
-	-	-	-	46,002	46,002
-	-	-	-	2,571,000	2,571,000
-	-	-	-	54,083	54,083
902,939	14,256,916	527,562	1,034,035	3,899,517	52,775,137
-	-	-	-	55,865	57,561
-	-	-	-	3,575	9,316
902,939	14,256,916	527,562	1,034,035	3,701,149	52,458,707
-	-	-	-	124,236	216,426
-	-	-	-	14,692	33,127
902,939	14,256,916	527,562	1,034,035	3,899,517	52,775,137

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 128,201	90,330	739,452	30,025,891
Additions:				
Property and other county tax	-	92,288	498,960	31,805,268
E911 surcharge	-	-	-	-
State tax credits	-	2,847	14,748	926,193
Drivers license fees	-	-	-	-
Office fees and collections	782,525	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	375,071	-	-	-
Miscellaneous	-	-	2,524	-
Total additions	1,157,596	95,135	516,232	32,731,461
Deductions:				
Agency remittances:				
To other funds	517,833	-	-	-
To other governments	278,453	95,368	506,167	31,563,888
Trusts paid out	368,421	-	-	-
Total deductions	1,164,707	95,368	506,167	31,563,888
Balances end of year	\$ 121,090	90,097	749,517	31,193,464

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
822,262	12,742,517	505,979	891,068	3,325,470	49,271,170
919,481	14,493,980	539,217	-	217,768	48,566,962
-	-	-	-	213,010	213,010
25,802	313,825	16,518	-	7,399	1,307,332
-	-	-	93,681	-	93,681
-	-	-	-	-	782,525
-	-	-	11,841,730	-	11,841,730
-	-	-	-	664,480	664,480
-	-	-	-	885,962	1,261,033
-	-	-	-	734,535	737,059
945,283	14,807,805	555,735	11,935,411	2,723,154	65,467,812
-	-	-	472,854	-	990,687
864,606	13,293,406	534,152	11,319,590	1,316,824	59,772,454
-	-	-	-	832,283	1,200,704
864,606	13,293,406	534,152	11,792,444	2,149,107	61,963,845
902,939	14,256,916	527,562	1,034,035	3,899,517	52,775,137

Warren County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 11,434,820	11,441,171	11,453,420	10,856,199
Interest and penalty on property tax	131,188	149,108	142,432	150,009
Intergovernmental	8,259,026	10,424,897	9,863,840	7,226,199
Licenses and permits	50,799	45,255	53,085	56,375
Charges for service	1,106,315	1,067,973	1,088,935	1,117,378
Use of money and property	83,556	90,910	138,804	364,291
Miscellaneous	685,458	594,686	528,665	469,577
Total	\$ 21,751,162	23,814,000	23,269,181	20,240,028
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,294,861	4,004,824	3,989,306	3,948,411
Physical health and social services	3,042,371	2,652,571	2,494,732	2,421,017
Mental health	3,906,062	2,895,774	2,756,204	2,951,364
County environment and education	1,116,563	1,119,994	1,183,451	959,022
Roads and transportation	5,473,688	5,861,559	5,577,710	5,905,350
Governmental services to residents	772,331	749,897	767,527	644,439
Administration	2,478,993	2,406,804	2,595,841	2,252,355
Non-program	281	175	6,131	12,804
Debt service	25,905	443,520	516,944	554,828
Capital projects	682,129	2,579,032	1,613,199	643,925
Total	\$ 21,793,184	22,714,150	21,501,045	20,293,515

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
10,012,217	9,039,256	8,744,970	7,622,726	7,349,911	6,928,811
134,630	129,981	118,383	116,564	108,385	113,333
7,991,557	7,112,383	6,127,442	6,520,945	6,613,117	6,994,414
72,145	88,350	103,448	89,430	82,103	88,101
1,053,691	1,137,039	1,030,308	1,059,635	1,016,699	992,117
448,356	285,375	154,853	113,016	166,901	283,568
409,063	502,144	633,937	521,659	535,449	359,014
20,121,659	18,294,528	16,913,341	16,043,975	15,872,565	15,759,358
3,728,866	3,674,865	3,988,525	3,198,521	3,096,633	3,130,057
2,377,752	2,054,666	1,792,350	1,745,733	1,638,876	1,717,513
2,743,476	2,713,918	2,634,837	2,275,267	2,338,950	2,503,407
935,270	804,023	841,841	703,017	637,735	701,880
5,270,656	4,925,412	4,759,210	4,522,201	4,434,541	4,469,042
618,230	897,476	575,169	514,115	504,071	508,399
2,149,060	2,049,422	1,866,473	1,759,019	1,699,790	1,576,445
3,289	-	80,000	-	-	-
658,125	765,977	496,495	437,248	519,787	521,130
883,407	479,805	1,057,685	1,418,113	965,699	1,576,974
19,368,131	18,365,564	18,092,585	16,573,234	15,836,082	16,704,847

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		\$ 3,307
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804		<u>1,362</u>
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-RW0000192	<u>50,000</u>
Total direct			<u>54,669</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Marion County Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>26,938</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>18,652</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-11	<u>31,221</u>
Violence Against Women Formula Grants	16.588	VW-11	<u>24,043</u>
Governor's Office of Drug Control Policy:			
Polk County Sheriff:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	09JAG/ARRA-3460B	<u>53,576</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C091(74)-8J-91	<u>15,793</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	10-410, Task 78	<u>4,953</u>

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT91	25,677
Public Health Emergency Preparedness	93.069	5881BT91	32,525
Public Health Emergency Preparedness	93.069	5881BT391	42,102
			<u>100,304</u>
Immunization Grants	93.268	5881I477	12,149
ARRA Immunization	93.712	5880I477	5,579
Maternal and Child Health Services			
Block Grant to the States	93.994		<u>25,623</u>
Iowa Department on Aging:			
Aging Resources of Central Iowa:			
Aging Cluster Programs:			
Special Programs for the Aging - Title III,			
Part C - Nutrition Services	93.045		76,207
Nutrition Services Incentive Program	93.053		<u>57,724</u>
ARRA - Aging Congregate Nutrition			
Services for States	93.707		<u>7,683</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State			
Administered Programs	93.566		12
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		4,537
Foster Care - Title IV-E	93.658		7,394
Adoption Assistance	93.659		1,788
Social Services Block Grant	93.667		6,357
Social Services Block Grant	93.667		107,917
			<u>114,274</u>
Children's Health Insurance Program	93.767		84
Medical Assistance Program	93.778		<u>17,861</u>

Schedule 6

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Pilot Demonstration or Earmarked Projects	97.001	2008-EO-T8-0015	35,913
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1763	234,291
Emergency Management Performance Grants	97.042		17,970
Total indirect			894,569
Total			\$ 949,238

* Includes \$13,695 of non-cash awards.

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

See accompanying independent auditor's report.



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STATE OF IOWA

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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 Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren 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 Warren County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

Warren County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Warren 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 Warren County and other parties to whom Warren County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

December 21, 2011

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

Warren County



OFFICE OF AUDITOR OF STATE

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

To the Officials of Warren County:

Compliance

We have audited Warren County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Warren County's major federal programs for the year ended June 30, 2011. Warren 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 Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren 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 Warren County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Warren 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 Warren County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-11 and III-C-11 to be significant deficiencies.

Warren 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 Warren 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 Warren County and other parties to whom Warren County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 21, 2011

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies and a material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Aging Cluster:
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA Number 93.053 – Nutrition Services Incentive Program
 - CFDA Number 93.707 – ARRA – Aging Congregate Nutrition Services for States
 - CFDA Number 93.667 – Social Services Block Grant
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

	<u>Applicable Offices</u>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder, Treasurer, Engineer, Congregate Meals, Environmental Health, Conservation, Emergency Management/E911
(2) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. The initial listing is not compared to receipt records by an independent person and is not initialed to evidence any review. An initial listing of mail receipts is not prepared in the Engineer's office or the Congregate Meals office.	Recorder, Zoning, Sheriff, Congregate Meals, Engineer, Environmental Health, Conservation, Friends of Warren County Conservation, MH/DD Community Services, Emergency Management/E911
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. Bank reconciliations were not prepared by the Friends of Warren County Conservation.	Sheriff, Friends of Warren County Conservation, MH/DD Community Services, County Extension Office
(4) Independent review of bank reconciliations was not performed timely.	Recorder
(5) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.	Sheriff, Friends of Warren County Conservation

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- | | |
|---|---|
| (6) One individual handles fuel inventory and is responsible for maintaining fuel inventory records. Fuel usage reports are not reviewed by an independent person for propriety. | Engineer |
| (7) Daily cash reconciliations are not reviewed and approved by an independent person for propriety. In addition, daily reconciliations are performed by individuals who have the ability to void receipts. | Treasurer |
| (8) Checks are not restrictively endorsed upon receipt by the mail opener. | Sheriff |
| (9) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts. | Engineer,
Environmental
Health, MH/DD
Community Services |

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

- (a) Zoning – We have two employees. We try to check each other's work for deposits.
- (b) Sheriff – We will attempt to get independent review as often as possible.
- (c) Congregate Meals (response and corrective action planned) – This is a one person office. I have begun a process in which all mail checks are being recorded on a listing and being credited to the proper meal site.
- (d) Engineer – A process will be implemented to conform to the above recommendations.
- (e) Recorder – We do the best we can to have dual control in our procedures. I will work on improving the above items.
- (f) MH/DD Community Services – A second individual reviews all receipts and matches them with the book to ensure proper handling. We will have a third person deliver receipts to the treasurer's office.
- (g) Environmental Health – Segregation of duties is difficult with small staff.
- (h) Conservation – Staff limitations make segregation of duties impractical.
- (i) Friends of Warren County Conservation – Reconciliations with the bank statements will be improved for next year.
- (j) Treasurer – I will ask if there is a way to look at voided receipts in Incode and ARTS and start looking at them. I will also look at daily balancing.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- (k) Emergency Management/E911 – Due to the limited number of employees in each agency, it is not logistically possible to realize segregation of duties.
- (l) Auditor – The Auditor’s Office will provide a copy of the batch processing report to all department heads prior to checks being released. The department heads will review and provide confirmation they concur with the processed payroll. Additionally, once a quarter, an independent review of all timesheets to the batch processing report will be performed internally within the Auditor’s Office by an independent person from the payroll administrator.
- (m) While we do place our outstanding checks in the Treasurer’s book, we understand that for best practice guidelines we need to have our Treasurer initial the reconciliation as evidence of review.

Conclusion – Responses accepted for (b), (c), (d), (e), (f), (j), (l) and (m). All other offices should review current operating procedures for the areas noted to obtain the maximum internal control possible. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

II-B-11 Financial Reporting – The following financial reporting errors were noted:

Receivables – Congregate Meals – During the audit, we identified \$32,402 of receivables not recorded in the County’s financial statements.

Sheriff Law Enforcement Contracts – During the audit, we identified \$26,311 of law enforcement contract receivables not recorded in the County’s financial statements. Of that amount, \$14,735 was recorded in the next fiscal year and \$11,576 of receivables had not been collected or reported in the County’s financial statements.

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

Responses -

Congregate Meals – I will make sure all receipts are properly identified and placed in the appropriate fiscal year.

Sheriff – We are improving on this and will continue to work at it.

Conclusion – Responses accepted.

II-C-11 County Sheriff – A current trust listing is not maintained and reconciled with book balances.

Recommendation – A list of trusts on hand should be prepared and reconciled to book balances monthly.

Response – Hopefully new software will assist us in this.

Conclusion – Response acknowledged. A current trust listing should be prepared and reconciled monthly.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-D-11 Sheriff Jail Commissary – One individual collects, deposits and records receipts for the Jail Commissary. The listing of inmate receipts is not reconciled to receipt records and deposited by an independent person. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts. Unused checks and signature stamps are not adequately controlled.

Recommendation – The County should review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, bank reconciliations should be printed and reviewed monthly by an independent person for propriety. Inmate ledgers should be reconciled to deposits to ensure funds are properly recorded. Unused checks and signature stamps should be properly safeguarded.

Response – We will attempt independent review.

Conclusion – Response acknowledged. Unused checks and signature stamps should be properly safeguarded.

- II-E-11 Sheriff Commissary Prestige Cards – The Commissary uses Prestige Cards to transfer inmate balances onto a prepaid MasterCard to released inmates. Because the cards have no monetary value until they are authorized, an inventory listing is not maintained. The cards could be authorized for other purposes and misappropriated.

Recommendation – The Sheriff should generate a printout of all authorized MasterCards and review authorizations to ensure cards were issued only to released inmates for appropriate purposes.

Response – We will attempt to establish a procedure to review these.

Conclusion – Response accepted.

- II-F-11 Sheriff Cash Bonds – ICIS receipts were not obtained for two of two cash bonds tested.

Recommendation – The County should obtain ICIS receipts for all cash bond collections.

Response – Will visit with Clerk of Court.

Conclusion – Response accepted.

- II-G-11 Public Health Nurse – Reconciliations of nursing service billings and collections were not prepared each month.

Recommendation – A reconciliation of nursing service billings and collections should be prepared monthly.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – We continue to have budget constraints and personnel limitations. We continue to rely on our software to account for receivables along with a manual reconciliation of those receivables not included in the software.

Conclusion – Response accepted.

- II-H-11 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2011.

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

Response – An additional charge has been added to the reimbursement rate to cover the cost of the new facility. This new charge has allowed the Fuel Station Fund balance to improve. The fund has had a positive cash balance at the close of every month in fiscal year 2012. We will continue to monitor the fund's balance.

Conclusion – Response accepted.

- II-I-11 Timesheets – Certain salaried employees in the Sheriff's Office do not prepare and file timesheets. Certain salaried employees prepare timesheets, but the timesheets are not reviewed and approved.

Recommendation – Timesheets should be prepared by all personnel, including salaried employees. Timesheets should be reviewed and approved by a supervisor.

Responses –

Sheriff – We will have this done.

Auditor – A member of the Board of Supervisors will sign off on all the department head timesheets to indicate review and approval.

Conclusion – Response accepted.

- II-J-11 Gas Card Policy and Controls – The County does not have written policies and procedures over the controls of gas cards issued to clients in the decategorization program. Gas cards are purchased in bulk and maintained in a safe. Clients must sign a "Gift Card Approval and Tracking Form". However, no one compares the cards in inventory to the "Gift Card Approval and Tracking Form" to account for the gas cards held by the County.

Recommendation – The County should develop policies and procedures to account for gas cards.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – A written policy for Gas Card Usage will be voted on by the Indianola Cluster DCAT Governance Board on October 20, 2011, setting forth the policies for gas cards usage in the Indianola DCAT Cluster. This policy will have input from the Board, DCAT Coordinator, CPPC Coordinator and Social Work Supervisors.

Conclusion – Response accepted.

- II-K-11 Engineer Scrap Material – The County Engineer’s shop sells scrap materials for cash. Prenumbered receipts are not issued by the shop. Past practices did not require receipts from the sale of scrap materials to be remitted to the Engineer’s Office. According to County personnel, these proceeds were recorded in a ledger book at the shop and used for cookouts and various supplies. Receipts for the purchases were maintained with the ledger book. During August 2011, it was determined \$2,000 of proceeds maintained at the shop were missing. After investigation by the County Supervisors, this activity was discontinued. All proceeds from the sale of scrap materials are immediately brought to the Engineer’s office and remitted to the County Treasurer for credit to the Special Revenue, Secondary Roads Fund.

Recommendation – The County should develop written policies and establish procedures to require and ensure proceeds from the sale of scrap materials are deposited with the County Engineer and remitted to the County Treasurer. The County should also issue prenumbered receipts at the shop to account for sales of scrap materials.

Response – Policies and procedures will be developed to conform to the recommendation.

Conclusion – Response accepted.

- II-L-11 IT Claims – Travel expenses for the same conference were submitted for payment twice, resulting in an overpayment of \$282. The IT Director has a County owned cell phone through Verizon Wireless. Her cell phone plan has 2000 shared minutes and includes phones for her two children. The County is responsible for costs related to the IT Director’s line. However, the IT Director is responsible for paying the costs incurred by her children. Cell phone charges on one claim paid for the IT Director included payments of \$72 for the Director’s children and \$133 in outstanding charges incurred for others on the previous month’s bill. This results in an overpayment of \$205. When comparing cell phone plan minutes among County employees, the IT Director’s cell phone plan has 2000 shared minutes compared to a 400-600 minute range of other County employees.

Recommendation – The IT Director should reimburse the County a total of \$487 for the travel and cell phone overpayments. The County should establish procedures to ensure only authorized County employees are included on County owned cell phone plans.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – Reimbursement for overpayment and personal expenses will be obtained from the IT Director. All department head travel expenses are being reviewed and approved by a member of the Board of Supervisors prior to submission to the Auditor’s Office for processing. IT cell phone plan will be reviewed with the IT director to determine the appropriateness.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.045:

Pass-through Number:

Federal Award Year: 2010

U.S. Department of Aging

Passed through Aging Resources of Central Iowa

III-A-11 Segregation of Duties Over Federal Revenues – Warren County Congregate Meals did not properly segregate opening the mail, collecting, depositing, posting and reconciling functions for revenues, including those related to federal programs. See item II-A-11.

III-B-11 Contributions for Congregate Meals – Drivers making home meal deliveries may collect donations.

Recommendation – To increase controls over collections, donations should be mailed to the Congregate Meals office.

Response and Corrective Action Planned – I am working with Aging Resources of Central Iowa on a procedure for home delivery contributions.

Conclusion – Response accepted.

III-C-11 Reporting – Warren County Congregate Meals is responsible for submitting monthly reports to Aging Resources of Central Iowa which identify the number of meals served and the amount of contributions received at each meal site. These reports should be prepared based on the meal site manager reports. The monthly reports have been prepared based on receipts recorded in the Eden system. As a result, contributions which are mailed directly to the Congregate Meals office are not reported for the correct meal site for accurate reporting of contributions received.

Recommendation – Monthly reports submitted to Aging Resources of Central Iowa should be prepared from the meal site manager reports. All contributions received in the mail should be credited to the appropriate meal site manager reports.

Response and Corrective Action Planned – I have begun a process in which all mail checks are being recorded and credited to the proper meal site. I am also working with Aging Resources on a formal procedure to correct reporting.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-11 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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments	\$ 4,288
Andy Coffman, Secondary Roads employee, brother owns Coffman Glass	Supplies for Engineer	570

The transactions with Mary Taylor for supplies for various County departments do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since her remuneration of employment is not directly affected as a result of the contracts and her duties of employment do not directly involve the procurement or preparation of any part of the contracts. The transactions for the Engineer’s office supplies do not appear to represent a conflict of interest in accordance with Chapter 331.342(10) of the Code of Iowa since total transactions are less than \$1,500.

- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

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

- IV-J-11 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

Recommendation – The County Sheriff should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will call the bank again.

Conclusion – Response accepted.

- IV-K-11 Sheriff D.A.R.E. Account – The County Sheriff maintains a bank account for the D.A.R.E. program. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation – Collections for the D.A.R.E. program should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County's budget and financial statements.

Response – Will do this.

Conclusion – Response accepted.

- IV-L-11 Commissary Account – The County Sheriff maintains a bank account for the commissary. The financial activity of this account includes bond activity which should be reflected in the Sheriff Fees account. In addition, commissary profits should be remitted to the County Treasurer at least annually.

Recommendation – Collections for the bonds should be reflected in the Sheriff fees account. In addition, commissary profits should be remitted to the County Treasurer at least annually.

Response – May check with our software provider as to segregation of bonds from the commissary.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-M-11 Sheriff Account – The County Sheriff maintains a bank account for Sheriff fees. The financial activity of this account includes grants and forfeiture activity which should be deposited directly with the County Treasurer to the General Fund or a Special Revenue Fund.

Recommendation – Collections for grants and forfeitures should be deposited directly with the County Treasurer.

Response – These are direct deposits from federal funds. These are moved over to the County when received.

Conclusion – Response acknowledged. These revenues should be deposited directly with the County Treasurer.

IV-N-11 Emergency Management – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted for Emergency Management.

Recommendation – The budget should have been amended in accordance with Chapter 29C.17(5) of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was exceeded when we incurred additional grant disbursements. The grant was included in published disbursements for fiscal year 2010, but the grant was delayed. We will be sure to amend the budget in the future.

Conclusion – Response acknowledged. The fiscal year publication of disbursements should include actual disbursements, not anticipated disbursements.

Warren County

Staff

This audit was performed by:

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

Andrew E. Nielsen, CPA
Deputy Auditor of State