



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

June 21, 2012

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$23,203,130 for the year ended June 30, 2011, which included \$909,024 in tax credits from the state. The County forwarded \$16,264,105 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,939,025 of the local tax revenue to finance County operations, a 4.7% increase over the prior year. Other revenues included charges for service of \$1,887,753, operating grants, contributions and restricted interest of \$5,606,054, capital grants, contributions and restricted interest of \$229,396, local option sales tax of \$475,243, tax increment financing of \$50,983, unrestricted investment earnings of \$73,350 and other general revenues of \$266,297.

Expenses for County operations totaled \$15,297,342, a 7.5% increase over the prior year. Expenses included \$5,953,518 for roads and transportation, \$2,003,505 for public safety and legal services and \$1,932,461 for administration.

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/1110-0043-B00F.pdf>.

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

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**Harrison County**

**Officials**

**(Before January 2011)**

| <u>Name</u>       | <u>Title</u>         | <u>Term Expires</u> |
|-------------------|----------------------|---------------------|
| Larry D. King     | Board of Supervisors | Jan 2011            |
| Robert V. Smith   | Board of Supervisors | Jan 2011            |
| Gaylord Pitt      | Board of Supervisors | Jan 2013            |
| Susan E. Bonham   | County Auditor       | Jan 2013            |
| Vicki Argotsinger | County Treasurer     | Jan 2011            |
| Lorie A. Thompson | County Recorder      | Jan 2011            |
| Patrick Sears     | County Sheriff       | Jan 2013            |
| Jennifer Mumm     | County Attorney      | Jan 2011            |
| Dennis Alvis      | County Assessor      | Jan 2016            |

**(After January 2011)**

|                   |                      |          |
|-------------------|----------------------|----------|
| Gaylord Pitt      | Board of Supervisors | Jan 2013 |
| Robert V. Smith   | Board of Supervisors | Jan 2015 |
| Walter Utman      | Board of Supervisors | Jan 2015 |
| Susan E. Bonham   | County Auditor       | Jan 2013 |
| Renee King        | County Treasurer     | Jan 2015 |
| Lorie A. Thompson | County Recorder      | Jan 2015 |
| Patrick Sears     | County Sheriff       | Jan 2013 |
| Jennifer Mumm     | County Attorney      | Jan 2015 |
| Dennis Alvis      | County Assessor      | Jan 2016 |

**Harrison County**



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Independent Auditor's Report

To the Officials of Harrison County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harrison 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 Harrison 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, the business-type activities, each major fund and the aggregate remaining fund information of Harrison 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 June 11, 2012 on our consideration of Harrison 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 50 through 54 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 Harrison County's basic financial statements. The financial statements for the eight years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 11, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Harrison 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 8.9%, or approximately \$1,511,000, from fiscal year 2010 to fiscal year 2011. Capital grants, contributions and restricted interest decreased approximately \$2,888,000.
- ◆ Program expenses of the County's governmental activities were 7.5%, or approximately \$1,064,000, more in fiscal year 2011 than in fiscal year 2010. Roads and transportation expenses increased approximately \$444,000.
- ◆ The County's net assets increased 0.7%, or approximately \$305,000, 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 Harrison 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 Harrison 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 Harrison 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.

In the government-wide financial statements, the County's activities are divided into two categories:

- *Governmental activities:* Most of the County's basic services are included here including 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.
- *Business type activities:* The County charges fees to help cover the costs of certain services it provides. The County's wastewater disposal system is included here.

### *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, and 3) the Debt Service 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 fund account for the County's Enterprise Fund. This fund report services for which the County charges customers for the services it provides. The proprietary fund is reported in the same way all activities are reported in the statement of Net Assets and the Statement of Activities. The major difference between the proprietary fund and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise, Water and Wastewater Disposal System is consider to be a major fund to the County. The County is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Harrison County's combined net assets were virtually unchanged from a year ago, increasing from approximately \$43.0 million to approximately \$43.3 million. The analysis which follows focuses on the changes in the net assets of governmental and business type activities.

| Net Assets of Governmental and Business Type Activities<br>(Expressed in Thousands) |                            |        |                             |       |          |        |
|-------------------------------------------------------------------------------------|----------------------------|--------|-----------------------------|-------|----------|--------|
|                                                                                     | Governmental<br>Activities |        | Business Type<br>Activities |       | Total    |        |
|                                                                                     | June 30,                   |        | June 30,                    |       | June 30, |        |
|                                                                                     | 2011                       | 2010   | 2011                        | 2010  | 2011     | 2010   |
| Current and other assets                                                            | \$20,908                   | 19,599 | 71                          | 64    | 20,979   | 19,663 |
| Capital assets                                                                      | 31,178                     | 32,166 | 2,240                       | 2,273 | 33,418   | 34,439 |
| Total assets                                                                        | 52,086                     | 51,765 | 2,311                       | 2,337 | 54,397   | 54,102 |
| Long-term liabilities                                                               | 2,243                      | 2,483  | 741                         | 750   | 2,984    | 3,233  |
| Other liabilities                                                                   | 8,085                      | 7,829  | -                           | -     | 8,085    | 7,829  |
| Total liabilities                                                                   | 10,328                     | 10,312 | 741                         | 750   | 11,069   | 11,062 |
| Net assets:                                                                         |                            |        |                             |       |          |        |
| Invested in capital assets, net<br>of related debt                                  | 30,523                     | 31,286 | 1,499                       | 1,523 | 32,022   | 32,809 |
| Restricted                                                                          | 9,046                      | 8,023  | 26                          | -     | 9,072    | 8,023  |
| Unrestricted                                                                        | 2,189                      | 2,144  | 45                          | 64    | 2,234    | 2,208  |
| Total net assets                                                                    | \$41,758                   | 41,453 | 1,570                       | 1,587 | 43,328   | 43,040 |

Net assets of Harrison County's governmental activities increased 0.7% (approximately \$41.5 million compared to approximately \$41.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component increased approximately \$1,023,000, or 12.8%, over the prior year. This increase is primarily due to increases in net assets restricted for supplemental levy purposes and mental health purposes. 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 – increased from approximately \$2,144,000 at June 30, 2010 to approximately \$2,189,000 at the end of this year, an increase of 2.1%.

| Changes in Net Assets of Governmental and Business Type Activities<br>(Expressed in Thousands) |                            |        |                             |       |          |        |
|------------------------------------------------------------------------------------------------|----------------------------|--------|-----------------------------|-------|----------|--------|
|                                                                                                | Governmental<br>Activities |        | Business Type<br>Activities |       | Total    |        |
|                                                                                                | June 30,                   |        | June 30,                    |       | June 30, |        |
|                                                                                                | 2011                       | 2010   | 2011                        | 2010  | 2011     | 2010   |
| Revenues:                                                                                      |                            |        |                             |       |          |        |
| Program revenues:                                                                              |                            |        |                             |       |          |        |
| Charges for service                                                                            | \$ 1,839                   | 1,357  | 49                          | 46    | 1,888    | 1,403  |
| Operating grants and contributions                                                             | 5,606                      | 4,878  | -                           | -     | 5,606    | 4,878  |
| Capital grants and contributions                                                               | 229                        | 3,117  | -                           | 1     | 229      | 3,118  |
| General revenues:                                                                              |                            |        |                             |       |          |        |
| Property and other county tax                                                                  | 6,663                      | 6,291  | -                           | -     | 6,663    | 6,291  |
| Tax increment financing                                                                        | 51                         | 36     | -                           | -     | 51       | 36     |
| Penalty and interest on property tax                                                           | 80                         | 61     | -                           | -     | 80       | 61     |
| State tax credits                                                                              | 276                        | 299    | -                           | -     | 276      | 299    |
| Local option sales tax                                                                         | 475                        | 448    | -                           | -     | 475      | 448    |
| Unrestricted investment earnings                                                               | 73                         | 77     | -                           | -     | 73       | 77     |
| Other general revenues                                                                         | 244                        | 483    | -                           | 1     | 244      | 484    |
| Total revenues                                                                                 | 15,536                     | 17,047 | 49                          | 48    | 15,585   | 17,095 |
| Program expenses:                                                                              |                            |        |                             |       |          |        |
| Public safety and legal services                                                               | 2,003                      | 1,768  | -                           | -     | 2,003    | 1,768  |
| Physical health and social services                                                            | 1,424                      | 1,315  | -                           | -     | 1,424    | 1,315  |
| Mental health                                                                                  | 1,857                      | 1,629  | -                           | -     | 1,857    | 1,629  |
| County environment and education                                                               | 1,268                      | 1,608  | -                           | -     | 1,268    | 1,608  |
| Roads and transportation                                                                       | 5,954                      | 5,510  | -                           | -     | 5,954    | 5,510  |
| Governmental services to residents                                                             | 474                        | 441    | -                           | -     | 474      | 441    |
| Administration                                                                                 | 1,932                      | 1,855  | -                           | -     | 1,932    | 1,855  |
| Non-program                                                                                    | 276                        | -      | -                           | -     | 276      | -      |
| Interest on long-term debt                                                                     | 43                         | 41     | -                           | -     | 43       | 41     |
| Water and wastewater disposal system                                                           | -                          | -      | 66                          | 65    | 66       | 65     |
| Total expenses                                                                                 | 15,231                     | 14,167 | 66                          | 65    | 15,297   | 14,232 |
| Change in net assets                                                                           | 305                        | 2,880  | (17)                        | (17)  | 288      | 2,863  |
| Net assets beginning of year                                                                   | 41,453                     | 38,573 | 1,587                       | 1,604 | 43,040   | 40,177 |
| Net assets end of year                                                                         | \$41,758                   | 41,453 | 1,570                       | 1,587 | 43,328   | 43,040 |

Harrison County's net assets of governmental activities increased approximately \$305,000 during the year. Revenues for governmental activities decreased approximately \$1,511,000 from the prior year. Capital grants, contributions and restricted interest decreased approximately \$2,888,000, primarily due to decreases in infrastructure assets contributed by the State of Iowa.

The County's countywide property tax rates decreased \$.27922 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$40,976,000. The countywide assessed property taxable valuation increased approximately \$50,902,000.

The cost of all governmental activities this year was approximately \$15.2 million compared to approximately \$14.2 million last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$7.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,839,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,835,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2011 from approximately \$9,352,000 to approximately \$7,674,000.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

As Harrison County completed the year, its governmental funds reported a combined fund balance of approximately \$12.4 million, an increase of more than \$891,000 above last year's total of approximately \$11.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$597,000 and expenditures increased approximately \$655,000. Property tax increased as a result of an increase in the supplemental levy to cover increased expenditures for insurance coverage. The ending fund balance showed a modest increase of approximately \$98,000 over the prior year to approximately \$4,084,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,857,000, an increase of 14.0% over the prior year. Revenue increased 2.2% over the prior year as result of increased revenue from the state. The Special Revenue, Mental Health Fund balance at year end increased approximately \$194,000 over the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$484,000 from the prior year, due principally to a decrease in roadway construction as the County continues to complete additions to the County roadway system. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of approximately \$810,000, or 16.4%.

### **Proprietary Fund Highlights**

- The Enterprise, Water and Wastewater Disposal System Fund, which accounts for the operation and maintenance of the County's sanitary sewer system, ended fiscal year 2011 with net assets of \$1,570,385 compared to the prior year ending net asset balance of \$1,587,069.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Harrison County amended its budget one time. The amendment was made in June 2011. This amendment was made to provide for additional disbursements in certain County departments and for unanticipated increases in insurance, audit costs and mental health services provided.

The County's receipts were \$1,174,427 more than budgeted, a variance of 4%. The most significant variance resulted from the County receiving more grants and intergovernmental receipts than anticipated.

Total disbursements were \$1,402,530 less than the amended budget. Actual disbursements for the physical health and social services, mental health and roads and transportation functions were \$240,419, \$286,498 and \$683,005, respectively, less than budgeted. This was primarily due to decreases in public health and homemaker department disbursements due to fewer employees needing to serve the client base, a reduction in the number of mental health clients and a delay in a bridge replacement.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, Harrison County had approximately \$33.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net decrease (including additions and deletions) of approximately \$1,021,000, or 3%, from last year.

| Capital Assets of Governmental Activities at Year End |           |        |
|-------------------------------------------------------|-----------|--------|
| (Expressed in Thousands)                              |           |        |
|                                                       | June 30,  |        |
|                                                       | 2011      | 2010   |
| Land                                                  | \$ 2,086  | 2,086  |
| Construction in progress                              | 507       | 3,474  |
| Buildings and improvements                            | 3,969     | 3,559  |
| Equipment and vehicles                                | 3,906     | 4,019  |
| Intangibles                                           | 847       | 676    |
| Infrastructure                                        | 19,863    | 18,352 |
| Total                                                 | \$ 31,178 | 32,166 |

| Capital Assets of Business Type Activities at Year End |          |       |
|--------------------------------------------------------|----------|-------|
| (Expressed in Thousands)                               |          |       |
|                                                        | June 30, |       |
|                                                        | 2011     | 2010  |
| Infrastructure                                         | \$ 2,240 | 2,273 |

For governmental activities, the County had depreciation expense of \$2,007,473 in fiscal year 2011 and total accumulated depreciation of \$21,348,242 at June 30, 2011. Capital assets for business type activities totaled \$2,239,675 (net of accumulated depreciation) at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

The major capital outlays for governmental activities during the year included replacement of equipment and vehicles for various departments, completion of a conservation interpretive center and roadway infrastructure projects. For business type activities, the County had no additions during the fiscal year.

## Long-Term Debt

At June 30, 2011, Harrison County had approximately \$1,796,000 in general obligation notes and other debt outstanding, compared to approximately \$2,050,000 at June 30, 2010, as shown below.

| Outstanding Debt of Governmental Activities at Year-End<br>(Expressed in Thousands) |          |       |
|-------------------------------------------------------------------------------------|----------|-------|
|                                                                                     | June 30, |       |
|                                                                                     | 2011     | 2010  |
| General obligation notes                                                            | \$ 870   | 1,300 |
| Drainage warrants                                                                   | 185      | -     |
| Total                                                                               | \$ 1,055 | 1,300 |

  

| Outstanding Debt of Business Type Activities at Year-End<br>(Expressed in Thousands) |          |      |
|--------------------------------------------------------------------------------------|----------|------|
|                                                                                      | June 30, |      |
|                                                                                      | 2011     | 2010 |
| USDA sewer revenue notes                                                             | \$ 741   | 750  |

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. Harrison County's outstanding general obligation debt of \$870,000, plus an economic development agreement of \$25,478, totals \$895,478, which is significantly below its constitutional debt limit of approximately \$55.8 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Harrison County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.3% versus 4.9% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.1%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$14.3 million, a decrease of 1.8% from the final fiscal year 2011 budget. Budgeted disbursements are expected to increase less than 1% over the final fiscal year 2011 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,303,000 by the close 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 Harrison 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 Harrison County Auditor's Office, 111 North Second Ave., Logan, IA 51546.

## **Basic Financial Statements**

**Harrison County**

Harrison County  
Statement of Net Assets  
June 30, 2011

|                                                  | Governmental business Type |                  | Total             |
|--------------------------------------------------|----------------------------|------------------|-------------------|
|                                                  | Activities                 | Activities       |                   |
| <b>Assets</b>                                    |                            |                  |                   |
| Cash and pooled investments                      | \$ 9,797,663               | 67,446           | 9,865,109         |
| Receivables:                                     |                            |                  |                   |
| Property tax:                                    |                            |                  |                   |
| Delinquent                                       | 22,838                     | -                | 22,838            |
| Succeeding year                                  | 7,081,000                  | -                | 7,081,000         |
| Interest and penalty on property tax             | 16,762                     | -                | 16,762            |
| Accounts                                         | 149,467                    | 4,032            | 153,499           |
| Accrued interest                                 | 15,061                     | -                | 15,061            |
| Drainage assessments - succeeding year           | 243,133                    | -                | 243,133           |
| Loan                                             | 215,000                    | -                | 215,000           |
| Due from other governments                       | 583,276                    | -                | 583,276           |
| Inventories                                      | 2,662,102                  | -                | 2,662,102         |
| Prepaid items                                    | 97,967                     | -                | 97,967            |
| Bond issuance costs                              | 23,106                     | -                | 23,106            |
| Capital assets (net of accumulated depreciation) | 31,178,462                 | 2,239,675        | 33,418,137        |
| <b>Total assets</b>                              | <b>52,085,837</b>          | <b>2,311,153</b> | <b>54,396,990</b> |
| <b>Liabilities</b>                               |                            |                  |                   |
| Accounts payable                                 | 387,187                    | -                | 387,187           |
| Accrued interest payable                         | 1,150                      | -                | 1,150             |
| Salaries and benefits payable                    | 163,867                    | -                | 163,867           |
| Due to other governments                         | 451,535                    | -                | 451,535           |
| Deferred revenue:                                |                            |                  |                   |
| Succeeding year property tax                     | 7,081,000                  | -                | 7,081,000         |
| Long-term liabilities:                           |                            |                  |                   |
| Portion due or payable within one year:          |                            |                  |                   |
| USDA sewer revenue notes                         | -                          | 9,722            | 9,722             |
| General obligation notes                         | 430,000                    | -                | 430,000           |
| Compensated absences                             | 216,791                    | -                | 216,791           |
| Portion due or payable after one year:           |                            |                  |                   |
| USDA sewer revenue notes                         | -                          | 731,046          | 731,046           |
| General obligation notes                         | 440,000                    | -                | 440,000           |
| Compensated absences                             | 846,861                    | -                | 846,861           |
| Drainage warrants                                | 185,440                    | -                | 185,440           |
| Net OPEB liability                               | 124,000                    | -                | 124,000           |
| <b>Total liabilities</b>                         | <b>10,327,831</b>          | <b>740,768</b>   | <b>11,068,599</b> |
| <b>Net Assets</b>                                |                            |                  |                   |
| Invested in capital assets, net of related debt  | 30,523,462                 | 1,498,907        | 32,022,369        |
| Restricted for:                                  |                            |                  |                   |
| Supplemental levy purposes                       | 1,077,011                  | -                | 1,077,011         |
| Mental health purposes                           | 727,966                    | -                | 727,966           |
| Rural services purposes                          | 1,456,946                  | -                | 1,456,946         |
| Secondary roads purposes                         | 4,957,165                  | -                | 4,957,165         |
| Debt service                                     | 11,862                     | 16,232           | 28,094            |
| Capital projects                                 | -                          | 9,540            | 9,540             |
| Drainage district purposes                       | 222,920                    | -                | 222,920           |
| Other purposes                                   | 591,572                    | -                | 591,572           |
| Unrestricted                                     | 2,189,102                  | 45,706           | 2,234,808         |
| <b>Total net assets</b>                          | <b>\$ 41,758,006</b>       | <b>1,570,385</b> | <b>43,328,391</b> |

See notes to financial statements.

Harrison County  
Statement of Activities  
Year ended June 30, 2011

|                                      | Expenses             | Program Revenues          |                                          |                                        |
|--------------------------------------|----------------------|---------------------------|------------------------------------------|----------------------------------------|
|                                      |                      | Charges<br>for<br>Service | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Functions/Programs:</b>           |                      |                           |                                          |                                        |
| Governmental activities:             |                      |                           |                                          |                                        |
| Public safety and legal services     | \$ 2,003,505         | 297,179                   | 25,160                                   | -                                      |
| Physical health and social services  | 1,424,152            | 637,729                   | 590,472                                  | -                                      |
| Mental health                        | 1,856,540            | -                         | 1,135,612                                | -                                      |
| County environment and education     | 1,268,156            | 199,195                   | 44,594                                   | 34,136                                 |
| Roads and transportation             | 5,953,518            | 149,146                   | 3,712,482                                | 195,260                                |
| Governmental services to residents   | 474,066              | 291,014                   | -                                        | -                                      |
| Administration                       | 1,932,461            | 41,514                    | 23,539                                   | -                                      |
| Non-program                          | 276,279              | 222,975                   | 67,338                                   | -                                      |
| Interest on long-term debt           | 42,980               | -                         | 6,857                                    | -                                      |
| <b>Total governmental activities</b> | <b>15,231,657</b>    | <b>1,838,752</b>          | <b>5,606,054</b>                         | <b>229,396</b>                         |
| Business type activities:            |                      |                           |                                          |                                        |
| Water and wastewater disposal system | 65,685               | 49,001                    | -                                        | -                                      |
| <b>Total</b>                         | <b>\$ 15,297,342</b> | <b>1,887,753</b>          | <b>5,606,054</b>                         | <b>229,396</b>                         |

**General Revenues:**

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Gain on disposal of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Assets |                                |             |
|-------------------------------------------------|--------------------------------|-------------|
| Governmental<br>Activities                      | Business<br>Type<br>Activities | Total       |
| (1,681,166)                                     | -                              | (1,681,166) |
| (195,951)                                       | -                              | (195,951)   |
| (720,928)                                       | -                              | (720,928)   |
| (990,231)                                       | -                              | (990,231)   |
| (1,896,630)                                     | -                              | (1,896,630) |
| (183,052)                                       | -                              | (183,052)   |
| (1,867,408)                                     | -                              | (1,867,408) |
| 14,034                                          | -                              | 14,034      |
| (36,123)                                        | -                              | (36,123)    |
| (7,557,455)                                     | -                              | (7,557,455) |
| -                                               | (16,684)                       | (16,684)    |
| (7,557,455)                                     | (16,684)                       | (7,574,139) |
| 6,423,845                                       | -                              | 6,423,845   |
| 239,295                                         | -                              | 239,295     |
| 50,983                                          | -                              | 50,983      |
| 80,161                                          | -                              | 80,161      |
| 275,885                                         | -                              | 275,885     |
| 475,243                                         | -                              | 475,243     |
| 73,350                                          | -                              | 73,350      |
| 64,482                                          | -                              | 64,482      |
| 178,951                                         | -                              | 178,951     |
| 7,862,195                                       | -                              | 7,862,195   |
| 304,740                                         | (16,684)                       | 288,056     |
| 41,453,266                                      | 1,587,069                      | 43,040,335  |
| \$ 41,758,006                                   | 1,570,385                      | 43,328,391  |

Harrison County  
Balance Sheet  
Governmental Funds

June 30, 2011

|                                      | Special Revenue                            |                  |                   |
|--------------------------------------|--------------------------------------------|------------------|-------------------|
|                                      | General                                    | Mental<br>Health | Rural<br>Services |
| <b>Assets</b>                        |                                            |                  |                   |
| Cash and pooled investments          | \$ 3,851,641                               | 1,238,586        | 1,448,992         |
| Receivables:                         |                                            |                  |                   |
| Property tax:                        |                                            |                  |                   |
| Delinquent                           | 15,905                                     | 3,384            | 2,462             |
| Succeeding year                      | 4,316,000                                  | 879,000          | 1,616,000         |
| Interest and penalty on property tax | 16,762                                     | -                | -                 |
| Accounts                             | 96,631                                     | 987              | -                 |
| Accrued interest                     | 15,061                                     | -                | -                 |
| Succeeding year drainage assessments | -                                          | -                | -                 |
| Loan                                 | -                                          | -                | -                 |
| Due from other funds                 | 11,181                                     | -                | -                 |
| Due from other governments           | 187,536                                    | -                | 21,104            |
| Inventories                          | -                                          | -                | -                 |
| Prepaid items                        | 96,202                                     | -                | -                 |
|                                      | <b>Total assets</b>                        | <b>2,121,957</b> | <b>3,088,558</b>  |
| <b>Liabilities and Fund Balances</b> |                                            |                  |                   |
| Liabilities:                         |                                            |                  |                   |
| Accounts payable                     | \$ 106,224                                 | 82,286           | 15,285            |
| Salaries and benefits payable        | 66,886                                     | -                | -                 |
| Due to other funds                   | -                                          | -                | -                 |
| Due to other governments             | 16,290                                     | 432,705          | 327               |
| Deferred revenue:                    |                                            |                  |                   |
| Succeeding year property tax         | 4,316,000                                  | 879,000          | 1,616,000         |
| Other                                | 17,116                                     | 2,319            | 2,138             |
| Total liabilities                    | <b>4,522,516</b>                           | <b>1,396,310</b> | <b>1,633,750</b>  |
| Fund balances:                       |                                            |                  |                   |
| Nonspendable:                        |                                            |                  |                   |
| Inventories                          | -                                          | -                | -                 |
| Prepaid items                        | 96,202                                     | -                | -                 |
| Restricted for:                      |                                            |                  |                   |
| Supplemental levy purposes           | 1,077,155                                  | -                | -                 |
| Mental health purposes               | -                                          | 725,647          | -                 |
| Rural services purposes              | -                                          | -                | 1,454,808         |
| Secondary roads purposes             | -                                          | -                | -                 |
| Drainage warrants                    | -                                          | -                | -                 |
| Conservation land acquisition        | 253,638                                    | -                | -                 |
| Debt service                         | -                                          | -                | -                 |
| Other purposes                       | 63,669                                     | -                | -                 |
| Assigned for conservation            | 84,148                                     | -                | -                 |
| Unassigned                           | 2,509,591                                  | -                | -                 |
| Total fund balances                  | <b>4,084,403</b>                           | <b>725,647</b>   | <b>1,454,808</b>  |
|                                      | <b>Total liabilities and fund balances</b> | <b>2,121,957</b> | <b>3,088,558</b>  |

See notes to financial statements.

| Secondary<br>Roads | Nonmajor  | Total      |
|--------------------|-----------|------------|
| 2,929,947          | 328,497   | 9,797,663  |
| -                  | 1,087     | 22,838     |
| -                  | 270,000   | 7,081,000  |
| -                  | -         | 16,762     |
| 51,194             | 655       | 149,467    |
| -                  | -         | 15,061     |
| -                  | 243,133   | 243,133    |
| -                  | 215,000   | 215,000    |
| -                  | -         | 11,181     |
| 307,298            | 67,338    | 583,276    |
| 2,662,102          | -         | 2,662,102  |
| 1,765              | -         | 97,967     |
| 5,952,306          | 1,125,710 | 20,895,450 |
| 83,492             | 99,900    | 387,187    |
| 96,981             | -         | 163,867    |
| -                  | 11,181    | 11,181     |
| 2,213              | -         | 451,535    |
| -                  | 270,000   | 7,081,000  |
| 30,444             | 311,161   | 363,178    |
| 213,130            | 692,242   | 8,457,948  |
| 2,662,102          | -         | 2,662,102  |
| 1,765              | -         | 97,967     |
| -                  | -         | 1,077,155  |
| -                  | -         | 725,647    |
| -                  | -         | 1,454,808  |
| 3,075,309          | -         | 3,075,309  |
| -                  | 97,889    | 97,889     |
| -                  | -         | 253,638    |
| -                  | 204,216   | 204,216    |
| -                  | 274,265   | 337,934    |
| -                  | -         | 84,148     |
| -                  | (142,902) | 2,366,689  |
| 5,739,176          | 433,468   | 12,437,502 |
| 5,952,306          | 1,125,710 | 20,895,450 |

**Harrison County**

Harrison County

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

June 30, 2011

**Total governmental fund balances (page 21)** \$ 12,437,502

***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 \$52,526,704 and the accumulated depreciation is \$21,348,242. 31,178,462

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 363,178

Bond issuance costs in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 23,106

Long-term liabilities, including notes payable, drainage warrants 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. (2,244,242)

**Net assets of governmental activities (page 17)** \$ 41,758,006

See notes to financial statements.

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

Year ended June 30, 2011

|                                                              | Special Revenue |                  |                   |
|--------------------------------------------------------------|-----------------|------------------|-------------------|
|                                                              | General         | Mental<br>Health | Rural<br>Services |
| <b>Revenues:</b>                                             |                 |                  |                   |
| Property and other county tax                                | \$ 4,123,177    | 877,777          | 1,423,354         |
| Local option sales tax                                       | -               | -                | 118,811           |
| Interest and penalty on property tax                         | 74,186          | -                | -                 |
| Intergovernmental                                            | 1,355,739       | 1,166,648        | 58,637            |
| Licenses and permits                                         | 19,422          | -                | -                 |
| Charges for service                                          | 636,072         | -                | -                 |
| Use of money and property                                    | 146,474         | -                | -                 |
| Fines, forfeitures and defaults                              | 20,395          | -                | -                 |
| Miscellaneous                                                | 315,893         | 6,314            | -                 |
| Total revenues                                               | 6,691,358       | 2,050,739        | 1,600,802         |
| <b>Expenditures:</b>                                         |                 |                  |                   |
| <b>Operating:</b>                                            |                 |                  |                   |
| Public safety and legal services                             | 1,874,243       | -                | 74,188            |
| Physical health and social services                          | 1,357,012       | -                | -                 |
| Mental health                                                | -               | 1,856,540        | -                 |
| County environment and education                             | 642,138         | -                | 191,540           |
| Roads and transportation                                     | -               | -                | -                 |
| Governmental services to residents                           | 451,336         | -                | -                 |
| Administration                                               | 1,915,157       | -                | -                 |
| Non-program                                                  | -               | -                | -                 |
| Debt service                                                 | -               | -                | -                 |
| Capital projects                                             | 246,246         | -                | -                 |
| Total expenditures                                           | 6,486,132       | 1,856,540        | 265,728           |
| Excess (deficiency) of revenues<br>over (under) expenditures | 205,226         | 194,199          | 1,335,074         |
| <b>Other financing sources (uses):</b>                       |                 |                  |                   |
| Operating transfers in                                       | -               | -                | -                 |
| Operating transfers out                                      | (107,300)       | -                | (1,381,300)       |
| Drainage warrants issued                                     | -               | -                | -                 |
| Total other financing sources (uses)                         | (107,300)       | -                | (1,381,300)       |
| Net change in fund balances                                  | 97,926          | 194,199          | (46,226)          |
| Fund balances beginning of year, as restated                 | 3,986,477       | 531,448          | 1,501,034         |
| Fund balances end of year                                    | \$ 4,084,403    | 725,647          | 1,454,808         |

See notes to financial statements.

| Secondary<br>Roads | Nonmajor  | Total       |
|--------------------|-----------|-------------|
| -                  | 290,278   | 6,714,586   |
| 356,432            | -         | 475,243     |
| -                  | -         | 74,186      |
| 3,712,482          | 31,160    | 6,324,666   |
| 5,020              | -         | 24,442      |
| 50                 | 3,228     | 639,350     |
| -                  | 1,188     | 147,662     |
| -                  | 1,103     | 21,498      |
| 229,302            | 161,712   | 713,221     |
| 4,303,286          | 488,669   | 15,134,854  |
| -                  | 7,086     | 1,955,517   |
| -                  | -         | 1,357,012   |
| -                  | -         | 1,856,540   |
| -                  | 45,729    | 879,407     |
| 4,687,625          | -         | 4,687,625   |
| -                  | 5,000     | 456,336     |
| -                  | -         | 1,915,157   |
| -                  | 276,279   | 276,279     |
| -                  | 465,855   | 465,855     |
| 274,112            | 58,965    | 579,323     |
| 4,961,737          | 858,914   | 14,429,051  |
| (658,451)          | (370,245) | 705,803     |
| 1,468,600          | 20,000    | 1,488,600   |
| -                  | -         | (1,488,600) |
| -                  | 185,440   | 185,440     |
| 1,468,600          | 205,440   | 185,440     |
| 810,149            | (164,805) | 891,243     |
| 4,929,027          | 598,273   | 11,546,259  |
| 5,739,176          | 433,468   | 12,437,502  |

Harrison 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

|                                                                                                                                                                                                                                                                                                                                                                                                             |                    |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>Net change in fund balances - Total governmental funds (page 25)</b>                                                                                                                                                                                                                                                                                                                                     |                    | \$ 891,243        |
| <b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>                                                                                                                                                                                                                                                                                            |                    |                   |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:                                                                                                   |                    |                   |
| Expenditures for capital assets                                                                                                                                                                                                                                                                                                                                                                             | \$ 787,010         |                   |
| Capital assets contributed by the Iowa Department of                                                                                                                                                                                                                                                                                                                                                        | 195,260            |                   |
| Depreciation expense                                                                                                                                                                                                                                                                                                                                                                                        | <u>(2,007,473)</u> | (1,025,203)       |
| 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.                                                                                                                                                                                                   |                    | 37,782            |
| 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                                                                                                                                                                                                                                                                                                                                                                                                | (463)              |                   |
| Other                                                                                                                                                                                                                                                                                                                                                                                                       | <u>168,964</u>     | 168,501           |
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Repayments exceeded current year issues as follows: |                    |                   |
| Issued                                                                                                                                                                                                                                                                                                                                                                                                      | (185,440)          |                   |
| Repaid                                                                                                                                                                                                                                                                                                                                                                                                      | <u>430,000</u>     | 244,560           |
| 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                                                                                                                                                                                                                                                                                                                                                                                        | 50,642             |                   |
| Other postemployment benefits                                                                                                                                                                                                                                                                                                                                                                               | (55,660)           |                   |
| Amortization of bond issuance costs                                                                                                                                                                                                                                                                                                                                                                         | (7,865)            |                   |
| Interest on long-term debt                                                                                                                                                                                                                                                                                                                                                                                  | <u>740</u>         | <u>(12,143)</u>   |
| <b>Change in net assets of governmental activities (page 19)</b>                                                                                                                                                                                                                                                                                                                                            |                    | <u>\$ 304,740</u> |

See notes to financial statements.

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

|                                                 | Enterprise -<br>Water and<br>Wastewater<br>Disposal<br>System |
|-------------------------------------------------|---------------------------------------------------------------|
| <b>Assets</b>                                   |                                                               |
| Current assets:                                 |                                                               |
| Cash and pooled investments                     | \$ 67,446                                                     |
| Accounts receivable                             | 4,032                                                         |
| Total current assets                            | 71,478                                                        |
| Capital assets, net of accumulated depreciation | 2,239,675                                                     |
| <b>Total assets</b>                             | <b>2,311,153</b>                                              |
| <b>Liabilities</b>                              |                                                               |
| Current liabilities:                            |                                                               |
| USDA sewer revenue notes                        | 9,722                                                         |
| Long-term liabilities:                          |                                                               |
| USDA sewer revenue notes                        | 731,046                                                       |
| <b>Total liabilities</b>                        | <b>740,768</b>                                                |
| <b>Net Assets</b>                               |                                                               |
| Invested in capital assets, net of related debt | 1,498,907                                                     |
| Restricted for:                                 |                                                               |
| Debt service                                    | 16,232                                                        |
| Capital projects                                | 9,540                                                         |
| Unrestricted                                    | 45,706                                                        |
| <b>Total net assets</b>                         | <b>\$ 1,570,385</b>                                           |

See notes to financial statements.

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

Year ended June 30, 2011

|                              | <u>Enterprise -<br/>Water and<br/>Wastewater<br/>Disposal<br/>System</u> |
|------------------------------|--------------------------------------------------------------------------|
| Operating revenues:          |                                                                          |
| Charges for service          | \$ 48,384                                                                |
| Miscellaneous                | 617                                                                      |
| Total operating revenues     | <u>49,001</u>                                                            |
| Operating expenses:          |                                                                          |
| Depreciation                 | 33,699                                                                   |
| Miscellaneous                | 500                                                                      |
| Total operating expenses     | <u>34,199</u>                                                            |
| Operating income             | 14,802                                                                   |
| Non-operating expense:       |                                                                          |
| Interest expense             | (31,486)                                                                 |
| Change in net assets         | <u>(16,684)</u>                                                          |
| Net assets beginning of year | 1,587,069                                                                |
| Net assets end of year       | <u>\$ 1,570,385</u>                                                      |

See notes to financial statements.

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

|                                                                                         | Enterprise -<br>Water and<br>Wastewater<br>Disposal<br>System |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Cash flows from operating activities:                                                   |                                                               |
| Cash received from sewer fees                                                           | \$ 49,098                                                     |
| Cash paid to suppliers for services                                                     | (500)                                                         |
| Net cash provided by operating activities                                               | 48,598                                                        |
| Cash flows from capital and related financing activities:                               |                                                               |
| Principal paid on USDA sewer revenue notes                                              | (8,793)                                                       |
| Interest paid on USDA sewer revenue notes                                               | (31,486)                                                      |
| Net cash used by capital and related financing activities                               | (40,279)                                                      |
| Net increase in cash and cash equivalents                                               | 8,319                                                         |
| Cash and cash equivalents beginning of year                                             | 59,127                                                        |
| Cash and cash equivalents end of year                                                   | \$ 67,446                                                     |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                                                               |
| Operating income                                                                        | \$ 14,802                                                     |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                                               |
| Depreciation                                                                            | 33,699                                                        |
| Decrease in accounts receivable                                                         | 97                                                            |
| Net cash provided by operating activities                                               | \$ 48,598                                                     |

See notes to financial statements.

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

**Assets**

## Cash and pooled investments:

|                        |              |
|------------------------|--------------|
| County Treasurer       | \$ 1,378,149 |
| Other County officials | 67,952       |

## Receivables:

## Property tax receivable:

|                      |            |
|----------------------|------------|
| Delinquent           | 96,777     |
| Succeeding year      | 15,704,000 |
| Accounts             | 35,167     |
| Drainage assessments | 840,074    |
| Special assessments  | 31,216     |

|                            |         |
|----------------------------|---------|
| Due from other governments | 577,248 |
|----------------------------|---------|

|               |     |
|---------------|-----|
| Prepaid items | 150 |
|---------------|-----|

|                     |                   |
|---------------------|-------------------|
| <b>Total assets</b> | <u>18,730,733</u> |
|---------------------|-------------------|

**Liabilities**

|                  |        |
|------------------|--------|
| Accounts payable | 14,057 |
|------------------|--------|

|                          |         |
|--------------------------|---------|
| Stamped warrants payable | 402,846 |
|--------------------------|---------|

|                               |        |
|-------------------------------|--------|
| Salaries and benefits payable | 49,684 |
|-------------------------------|--------|

|                          |            |
|--------------------------|------------|
| Due to other governments | 18,155,282 |
|--------------------------|------------|

|                |        |
|----------------|--------|
| Trusts payable | 30,323 |
|----------------|--------|

|                      |        |
|----------------------|--------|
| Compensated absences | 78,541 |
|----------------------|--------|

|                          |                   |
|--------------------------|-------------------|
| <b>Total liabilities</b> | <u>18,730,733</u> |
|--------------------------|-------------------|

|                   |                    |
|-------------------|--------------------|
| <b>Net assets</b> | <u><u>\$ -</u></u> |
|-------------------|--------------------|

See notes to financial statements.

Harrison County

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Sixty five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Harrison County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Harrison County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor’s Conference Board, County Emergency Management Commission, Harrison County Landfill Commission and 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.

In addition, the County is involved in the following jointly governed organizations: Southwest Iowa Planning Council, Southwest Iowa Juvenile Emergency Services Board and WESCO Industries. Financial transactions of these organizations are not included in the County’s financial statements.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The County reports the following major proprietary fund:

The Enterprise, Water and Wastewater Disposal System Fund is utilized to account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The County also reports fiduciary funds which focus on net assets and changes in net assets. The County's fiduciary funds include Agency Funds which 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 Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

| Asset Class                      | Amount    |
|----------------------------------|-----------|
| Infrastructure                   | \$ 50,000 |
| Land, buildings and improvements | 5,000     |
| Intangibles                      | 50,000    |
| 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             | 25 - 50                           |
| Building improvements | 25 - 50                           |
| Infrastructure        | 10 - 65                           |
| Intangibles           | 5 - 20                            |
| Equipment             | 3 - 20                            |
| Vehicles              | 3 - 15                            |

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 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 vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. Upon retirement, Secondary Road employees may elect to convert up to 1,488 hours of accumulated sick leave to cash to be accounted for in the Secondary Roads Fund and used for continued health care coverage. A liability is recorded when incurred in the government-wide 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, 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.

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 or County Auditor intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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.

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

**(3) Due From and Due to Other Funds**

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General                | Debt Service        | <u>\$ 11,181</u> |

This balance results from the reclassification of the deficit cash balance in the Debt Service Fund to the General Fund for reporting purposes.

**(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>       |
|---------------------------------------|------------------------------------|---------------------|
| Special Revenue:<br>Secondary Roads   | General                            | \$ 107,300          |
|                                       | Special Revenue:<br>Rural Services | <u>1,361,300</u>    |
|                                       |                                    | 1,468,600           |
| Special Revenue:<br>Flood and Erosion | Special Revenue:<br>Rural Services | <u>20,000</u>       |
| Total                                 |                                    | <u>\$ 1,488,600</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:

|                                             | Balance              |                  |                    | Balance           |
|---------------------------------------------|----------------------|------------------|--------------------|-------------------|
|                                             | Beginning            |                  | End                |                   |
|                                             | of Year              | Increases        | Decreases          | of Year           |
| <b>Governmental activities:</b>             |                      |                  |                    |                   |
| Capital assets not being depreciated:       |                      |                  |                    |                   |
| Land                                        | \$ 2,086,264         | -                | -                  | 2,086,264         |
| Intangibles, road network                   | 676,041              | 171,106          |                    | 847,147           |
| Construction in progress                    | 3,473,874            | 261,936          | (3,228,638)        | 507,172           |
| Total capital assets not being depreciated  | <u>6,236,179</u>     | <u>433,042</u>   | <u>(3,228,638)</u> | <u>3,440,583</u>  |
| Capital assets being depreciated:           |                      |                  |                    |                   |
| Buildings                                   | 5,363,553            | 535,223          | (13,772)           | 5,885,004         |
| Equipment and vehicles                      | 8,410,539            | 875,966          | (840,064)          | 8,446,441         |
| Infrastructure, road network and other      | 32,224,749           | 2,529,927        | -                  | 34,754,676        |
| Total capital assets being depreciated      | <u>45,998,841</u>    | <u>3,941,116</u> | <u>(853,836)</u>   | <u>49,086,121</u> |
| Less accumulated depreciation for:          |                      |                  |                    |                   |
| Buildings                                   | 1,804,395            | 122,454          | (11,226)           | 1,915,623         |
| Equipment and vehicles                      | 4,392,034            | 865,605          | (717,142)          | 4,540,497         |
| Infrastructure, road network and other      | 13,872,708           | 1,019,414        | -                  | 14,892,122        |
| Total accumulated depreciation              | <u>20,069,137</u>    | <u>2,007,473</u> | <u>(728,368)</u>   | <u>21,348,242</u> |
| Total capital assets being depreciated, net | <u>25,929,704</u>    | <u>1,933,643</u> | <u>(125,468)</u>   | <u>27,737,879</u> |
| Governmental activities capital assets, net | <u>\$ 32,165,883</u> | <u>2,366,685</u> | <u>(3,354,106)</u> | <u>31,178,462</u> |
| <b>Business type activities:</b>            |                      |                  |                    |                   |
| Capital assets being depreciated:           |                      |                  |                    |                   |
| Infrastructure                              | \$ 2,332,995         | -                | -                  | 2,332,995         |
| Less accumulated depreciation for:          |                      |                  |                    |                   |
| Infrastructure                              | 59,621               | 33,699           | -                  | 93,320            |
| Total capital assets being depreciated, net | <u>\$ 2,273,374</u>  | <u>(33,699)</u>  | <u>-</u>           | <u>2,239,675</u>  |

Depreciation expense was charged to the following functions:

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Governmental activities:                             |                     |
| Public safety and legal services                     | \$ 122,820          |
| Physical health and social services                  | 49,131              |
| County environment and education                     | 203,570             |
| Roads and transportation                             | 1,528,579           |
| Governmental services to residents                   | 19,034              |
| Administration                                       | 84,339              |
| Total depreciation expense - governmental activities | <u>\$ 2,007,473</u> |
| Business type activities:                            |                     |
| Water and wastewater disposal system                 | <u>\$ 33,699</u>    |

Right of way totaling \$676,041 previously reported as land was reclassified as intangibles, road network.

**(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:

| Fund                             | Description | Amount               |
|----------------------------------|-------------|----------------------|
| General                          | Services    | \$ 16,290            |
| Special Revenue:                 |             |                      |
| Mental Health                    | Services    | 432,705              |
| Rural Services                   | Services    | 327                  |
| Secondary Roads                  | Services    | 2,213                |
|                                  |             | <u>435,245</u>       |
| Total for governmental funds     |             | <u>\$ 451,535</u>    |
| Agency:                          |             |                      |
| County Offices                   | Collections | \$ 38,276            |
| Agricultural Extension Education |             | 177,453              |
| County Assessor                  |             | 260,350              |
| Schools                          |             | 11,614,956           |
| Community Colleges               |             | 556,102              |
| Corporations                     |             | 3,409,661            |
| Townships                        |             | 306,292              |
| Auto License and Use Tax         |             | 343,725              |
| Drainage Districts               |             | 1,107,119            |
| E911 Service Commission          |             | 150,129              |
| All other                        |             | 191,219              |
| Total for agency funds           |             | <u>\$ 18,155,282</u> |

**(7) Long-Term Liabilities**

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

|                                 | General<br>Obligation<br>Notes | Drainage<br>Warrants | Compen-<br>sated<br>Absences | Net<br>OPEB<br>Liability | Total            |
|---------------------------------|--------------------------------|----------------------|------------------------------|--------------------------|------------------|
| <b>Governmental activities:</b> |                                |                      |                              |                          |                  |
| Balance beginning<br>of year    | \$ 1,300,000                   | -                    | 1,114,295                    | 68,340                   | 2,482,635        |
| Increases                       | -                              | 185,440              | 506,821                      | 63,000                   | 755,261          |
| Decreases                       | 430,000                        | -                    | 557,464                      | 7,340                    | 994,804          |
| Balance end of year             | <u>\$ 870,000</u>              | <u>185,440</u>       | <u>1,063,652</u>             | <u>124,000</u>           | <u>2,243,092</u> |
| Due within one year             | <u>\$ 430,000</u>              | <u>-</u>             | <u>216,791</u>               | <u>-</u>                 | <u>646,791</u>   |

USDA  
Sewer  
Revenue  
Notes

**Business type activities:**

|                           |                   |
|---------------------------|-------------------|
| Balance beginning of year | \$ 749,561        |
| Increases                 | -                 |
| Decreases                 | 8,793             |
| Balance end of year       | <u>\$ 740,768</u> |
| Due within one year       | <u>\$ 9,722</u>   |

General Obligation Notes Payable

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

| Year<br>Ending<br>June 30, | Series 2003        |                   |               | Series 2009        |                   |               |
|----------------------------|--------------------|-------------------|---------------|--------------------|-------------------|---------------|
|                            | Issued Dec 1, 2003 |                   |               | Issued Jun 1, 2009 |                   |               |
|                            | Interest<br>Rates  | Principal         | Interest      | Interest<br>Rates  | Principal         | Interest      |
| 2012                       | 3.50%              | \$ 60,000         | 5,773         | 1.75%              | 155,000           | 9,333         |
| 2013                       | 3.70               | 60,000            | 3,613         | 2.00               | 155,000           | 6,620         |
| 2014                       | 3.85               | 65,000            | 1,251         | 2.20               | 160,000           | 3,520         |
| Total                      |                    | <u>\$ 185,000</u> | <u>10,636</u> |                    | <u>\$ 470,000</u> | <u>19,473</u> |

| Year<br>Ending<br>June 30, | Series 2009 Landfill |                   |              | Total          |               |                |
|----------------------------|----------------------|-------------------|--------------|----------------|---------------|----------------|
|                            | Issued Jun 1, 2009   |                   |              |                |               |                |
|                            | Interest<br>Rates    | Principal         | Interest     | Principal      | Interest      | Total          |
| 2012                       | 1.75%                | \$ 215,000        | 3,762        | 430,000        | 18,868        | 448,868        |
| 2013                       |                      | -                 | -            | 215,000        | 10,233        | 225,233        |
| 2014                       |                      | -                 | -            | 225,000        | 4,771         | 229,771        |
| Total                      |                      | <u>\$ 215,000</u> | <u>3,762</u> | <u>870,000</u> | <u>33,871</u> | <u>903,871</u> |

During the year ended June 30, 2011, the County retired \$430,000 of notes.

The Harrison County Landfill Commission has agreed to pay the County the principal and interest on the Series 2009 Landfill notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on the general obligation capital loan notes. The balance of these notes is \$215,000 at June 30, 2011.

USDA Sewer Revenue Notes

Annual debt service requirements to maturity for the USDA sewer revenue notes are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total     |
|----------------------------|-------------------|------------|----------|-----------|
| 2012                       | 4.125-4.250%      | \$ 9,722   | 31,109   | 40,831    |
| 2013                       | 4.125-4.250       | 9,555      | 30,724   | 40,279    |
| 2014                       | 4.125-4.250       | 9,956      | 30,323   | 40,279    |
| 2015                       | 4.125-4.250       | 10,375     | 29,904   | 40,279    |
| 2016                       | 4.125-4.250       | 10,811     | 29,468   | 40,279    |
| 2017-2021                  | 4.125-4.250       | 61,258     | 140,137  | 201,395   |
| 2022-2026                  | 4.125-4.250       | 75,249     | 126,146  | 201,395   |
| 2027-2031                  | 4.125-4.250       | 92,436     | 108,959  | 201,395   |
| 2032-2036                  | 4.125-4.250       | 113,551    | 87,844   | 201,395   |
| 2037-2041                  | 4.125-4.250       | 139,489    | 61,906   | 201,395   |
| 2042-2046                  | 4.125-4.250       | 171,356    | 30,039   | 201,395   |
| 2047                       | 4.125-4.250       | 37,010     | 1,570    | 38,580    |
| Total                      |                   | \$ 740,768 | 708,129  | 1,448,897 |

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$758,000 of sewer revenue notes issued in June 2008. The notes mature annually on July 1 and bear interest at 4.125% to 4.250% per annum, which is also due and payable on July 1. Proceeds from the notes provided financing for the construction of new water and waste disposal systems in the Little Sioux and River Sioux communities. The notes are payable solely from sewer customer net revenues and are payable through 2047. The total principal and interest remaining to be paid on the notes is \$1,448,897. For the current year, principal and interest paid and total customer net revenues were \$40,279 and \$14,802, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) Sufficient monthly transfers shall be made to a debt service account for the purpose of making the principal and interest payments when due.
- (b) Additional monthly transfers of \$337 to a sewer revenue reserve account shall be made until an amount equal to \$40,279 has been accumulated. This account is restricted for the purpose of paying principal and interest payments on the notes.
- (c) Monthly transfers of \$265 shall be made to a short-lived asset depreciation account for future capital improvements.
- (d) The County is required to submit a budget projection for the next fiscal year to USDA Rural Development Office for approval by February 15 each year.
- (e) The County is required to submit a year-end report to the USDA Rural Development Office by August 30 each year.

During the year ended June 30, 2011, the County did not make required monthly transfers to the debt service, sewer reserve and short-lived asset depreciation accounts.

In addition, the County did not file the required year-end report timely.

### Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties and other District revenues.

### **(8) Economic Development Agreement**

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to make economic development tax payments in exchange for the costs of construction improvements incurred by the developer. The incremental property tax received by the County from the developer will be paid for a period of 10 years or through fiscal year 2012, in an amount which represents 62.71% of tax increment financing revenues up to a maximum of \$550,000. The County retains the remaining tax increment financing revenues to be used in accordance with Chapter 403.22 of the Code of Iowa. Total payments of \$180,441 have been paid as of June 30, 2011. The remaining amount to be paid in fiscal year 2012 is expected to be \$25,478.

### **(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$348,465, \$327,602 and \$308,368, respectively, equal to the required contributions for each year.

### **(10) 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 120 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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               | \$ 63,000         |
| Interest on net OPEB obligation            | 2,000             |
| Adjustment to annual required contribution | <u>(2,000)</u>    |
| Annual OPEB cost                           | 63,000            |
| Contributions made                         | <u>(7,340)</u>    |
| Increase in net OPEB obligation            | 55,660            |
| Net OPEB obligation beginning of year      | <u>68,340</u>     |
| Net OPEB obligation end of year            | <u>\$ 124,000</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 \$7,340 to the medical plan. Plan members eligible for benefits contributed \$15,302, or 67.6% 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:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--------------------------------------------|---------------------|
| 2009                | \$ 62,610        | 45.4%                                      | \$ 34,170           |
| 2010                | 62,610           | 45.4                                       | 68,340              |
| 2011                | 63,000           | 11.7                                       | 124,000             |

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 \$631,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$631,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,208,000 and the ratio of the UAAL to covered payroll was 15.0%. 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 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 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 Actuary's Pension Handbook and applying the termination factors using the Scale T-2 table.

Projected claim costs of the medical plan range from \$552 to \$1,690 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.

#### **(11) 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% 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 \$222,754.

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% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(12) Secondary Roads Department Insurance Benefit**

Voluntary termination benefit programs have been established for County Secondary Roads Department employees. The programs allow employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to purchase group health insurance after separation.

Upon retirement, the value of the balance of the accrued sick leave is converted based upon the balance of sick leave hours, as follows:

| <u>Sick Leave<br/>Balance (hours)</u> | <u>Conversion<br/>Rate</u> |
|---------------------------------------|----------------------------|
| 0 - 559                               | 0%                         |
| 560 - 879                             | 50%                        |
| 880 - 1,119                           | 75%                        |
| 1,120 - 1,488                         | 100%                       |

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. The employer will continue to pay the costs of the health insurance premium each month until the converted value of the employee's Sick Leave Upon Retirement account balance is exhausted. The converted value of the sick leave can only be applied to the payment of health, dependent health and/or Medicare supplement insurance premium payments.

For the year ended June 30, 2011, three employees have retired and received benefits totaling \$8,566 under the program.

**(13) Financial Condition**

The Special Revenue, Drainage Districts and Debt Service Funds had unassigned deficit fund balances of \$142,902 and \$10,784, respectively, at June 30, 2011. The County plans to eliminate the deficits with future collections of drainage assessment, FEMA revenues and property tax revenue.

**(14) Financial Assurance**

The County participates in an agreement with the Harrison County Landfill Commission, which was created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2011 are \$2,384,618 and the County's financial assurance obligation amount is \$1,593,345. At June 30, 2011, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

In the event the Commission fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain an alternate financial assurance within 90 days of intent to cancel, the County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

**(15) Accounting Change/Restatement**

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

| Fund                                | Balances<br>June 30, 2010,<br>as previously<br>reported | Change in fund type<br>classification per<br>implementation of GASB<br>Statement No. 54 | Balances<br>July 1, 2010,<br>as restated |
|-------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------|
| General                             | \$ 3,713,710                                            | 272,767                                                                                 | 3,986,477                                |
| Special Revenue:                    |                                                         |                                                                                         |                                          |
| Conservation Land Acquisition Trust | 233,847                                                 | (233,847)                                                                               | -                                        |
| DARE                                | 2,344                                                   | (2,344)                                                                                 | -                                        |
| Supplement Environment              | 1                                                       | (1)                                                                                     | -                                        |
| Sheriff's K-9                       | 118                                                     | (118)                                                                                   | -                                        |
| Sheriff's Officer Memorial          | 601                                                     | (601)                                                                                   | -                                        |
| Conservation Easement Monitor       | 35,856                                                  | (35,856)                                                                                | -                                        |

**Harrison County**

**Required Supplementary Information**

Harrison 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<br>Funds not<br>Required to<br>be Budgeted | Net               |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------------------|-------------------|
| <b>Receipts:</b>                                                                                                      |                     |                                                 |                   |
| Property and other county tax                                                                                         | \$ 7,218,002        | -                                               | 7,218,002         |
| Interest and penalty on property tax                                                                                  | 63,666              | -                                               | 63,666            |
| Intergovernmental                                                                                                     | 6,896,126           | -                                               | 6,896,126         |
| Licenses and permits                                                                                                  | 28,417              | -                                               | 28,417            |
| Charges for service                                                                                                   | 657,497             | -                                               | 657,497           |
| Use of money and property                                                                                             | 152,055             | -                                               | 152,055           |
| Miscellaneous                                                                                                         | 996,663             | 260,960                                         | 735,703           |
| Total receipts                                                                                                        | <u>16,012,426</u>   | <u>260,960</u>                                  | <u>15,751,466</u> |
| <b>Disbursements:</b>                                                                                                 |                     |                                                 |                   |
| Public safety and legal services                                                                                      | 1,906,868           | -                                               | 1,906,868         |
| Physical health and social services                                                                                   | 1,323,543           | -                                               | 1,323,543         |
| Mental health                                                                                                         | 1,861,524           | -                                               | 1,861,524         |
| County environment and education                                                                                      | 881,640             | -                                               | 881,640           |
| Roads and transportation                                                                                              | 4,711,995           | -                                               | 4,711,995         |
| Governmental services to residents                                                                                    | 448,239             | -                                               | 448,239           |
| Administration                                                                                                        | 1,928,474           | -                                               | 1,928,474         |
| Non-program                                                                                                           | 217,804             | 217,804                                         | -                 |
| Debt service                                                                                                          | 465,855             | 8,868                                           | 456,987           |
| Capital projects                                                                                                      | 661,863             | -                                               | 661,863           |
| Total disbursements                                                                                                   | <u>14,407,805</u>   | <u>226,672</u>                                  | <u>14,181,133</u> |
| Excess (deficiency) of receipts<br>over (under) disbursements                                                         | 1,604,621           | 34,288                                          | 1,570,333         |
| Other financing sources, net                                                                                          | 185,440             | 185,440                                         | -                 |
| Excess (deficiency) of receipts and other<br>financing sources over (under)<br>disbursements and other financing uses | 1,790,061           | 219,728                                         | 1,570,333         |
| Balance beginning of year                                                                                             | 8,007,602           | (174,749)                                       | 8,182,351         |
| Balance end of year                                                                                                   | <u>\$ 9,797,663</u> | <u>44,979</u>                                   | <u>9,752,684</u>  |

See accompanying independent auditor's report.

| Budgeted Amounts |             | Final to<br>Net<br>Variance |
|------------------|-------------|-----------------------------|
| Original         | Final       |                             |
| 7,105,883        | 7,098,122   | 119,880                     |
| 51,500           | 51,500      | 12,166                      |
| 5,670,566        | 5,701,566   | 1,194,560                   |
| 31,604           | 69,604      | (41,187)                    |
| 479,575          | 479,575     | 177,922                     |
| 261,390          | 261,390     | (109,335)                   |
| 388,282          | 915,282     | (179,579)                   |
| 13,988,800       | 14,577,039  | 1,174,427                   |
| 1,943,757        | 1,965,757   | 58,889                      |
| 1,555,962        | 1,563,962   | 240,419                     |
| 2,097,022        | 2,148,022   | 286,498                     |
| 874,148          | 901,899     | 20,259                      |
| 5,395,000        | 5,395,000   | 683,005                     |
| 464,715          | 465,715     | 17,476                      |
| 1,833,596        | 1,965,596   | 37,122                      |
| -                | -           | -                           |
| 456,886          | 457,112     | 125                         |
| 720,600          | 720,600     | 58,737                      |
| 15,341,686       | 15,583,663  | 1,402,530                   |
| (1,352,886)      | (1,006,624) | 2,576,957                   |
| -                | -           | -                           |
| (1,352,886)      | (1,006,624) | 2,576,957                   |
| -                | 8,237,492   | (55,141)                    |
| (1,352,886)      | 7,230,868   | 2,521,816                   |

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

|                              | Governmental Funds |                             |                              |
|------------------------------|--------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 16,012,426      | (877,572)                   | 15,134,854                   |
| Expenditures                 | 14,407,805         | 21,246                      | 14,429,051                   |
| Net                          | 1,604,621          | (898,818)                   | 705,803                      |
| Other financing sources, net | 185,440            | -                           | 185,440                      |
| Beginning fund balances      | 8,007,602          | 3,538,657                   | 11,546,259                   |
| Ending fund balances         | \$ 9,797,663       | 2,639,839                   | 12,437,502                   |

See accompanying independent auditor's report.

Harrison 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 blended component units, the Enterprise Fund 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 increased budgeted disbursements by \$241,977. 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 not exceeded the amounts budgeted.

Harrison 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              | -                             | \$ 631                                | 631                         | 0.00%              | \$ 4,400            | 14.3%                                             |
| 2010                | Jul 1, 2008              | -                             | 631                                   | 631                         | 0.00               | 4,600               | 13.7                                              |
| 2011                | Jul 1, 2008              | -                             | 631                                   | 631                         | 0.00               | 4,208               | 15.0                                              |

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Other Supplementary Information**

Harrison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2011

|                                            | County<br>Recorder's<br>Records<br>Management | Urban<br>Renewal<br>Revenue | Special<br>Resource<br>Enhance-<br>ment and<br>Protection |
|--------------------------------------------|-----------------------------------------------|-----------------------------|-----------------------------------------------------------|
| <b>Assets</b>                              |                                               |                             |                                                           |
| Cash and pooled investments                | \$ 4,099                                      | 107,297                     | 58,038                                                    |
| Receivables:                               |                                               |                             |                                                           |
| Property tax:                              |                                               |                             |                                                           |
| Delinquent                                 | -                                             | -                           | -                                                         |
| Succeeding year                            | -                                             | 40,000                      | -                                                         |
| Accounts                                   | -                                             | -                           | -                                                         |
| Succeeding year drainage assessments       | -                                             | -                           | -                                                         |
| Loan                                       | -                                             | -                           | -                                                         |
| Due from other governments                 | -                                             | -                           | -                                                         |
| <b>Total assets</b>                        | <b>\$ 4,099</b>                               | <b>147,297</b>              | <b>58,038</b>                                             |
| <b>Liabilities and Fund Balances</b>       |                                               |                             |                                                           |
| Liabilities:                               |                                               |                             |                                                           |
| Accounts payable                           | \$ -                                          | -                           | -                                                         |
| Due to other funds                         | -                                             | -                           | -                                                         |
| Deferred revenue:                          |                                               |                             |                                                           |
| Succeeding year property tax               | -                                             | 40,000                      | -                                                         |
| Other                                      | -                                             | -                           | -                                                         |
| Total liabilities                          | -                                             | 40,000                      | -                                                         |
| Fund balances:                             |                                               |                             |                                                           |
| Restricted for:                            |                                               |                             |                                                           |
| Drainage warrants                          | -                                             | -                           | -                                                         |
| Debt service                               | -                                             | -                           | -                                                         |
| Other purposes                             | 4,099                                         | 107,297                     | 58,038                                                    |
| Unassigned                                 | -                                             | -                           | -                                                         |
| Total fund balances                        | 4,099                                         | 107,297                     | 58,038                                                    |
| <b>Total liabilities and fund balances</b> | <b>\$ 4,099</b>                               | <b>147,297</b>              | <b>58,038</b>                                             |

See accompanying independent auditor's report.

| Revenue           |          |                          |                    |              |           |
|-------------------|----------|--------------------------|--------------------|--------------|-----------|
| Flood and Erosion | Seizures | Drug Search and Seizures | Drainage Districts | Debt Service | Total     |
| 97,853            | 1,600    | 14,631                   | 44,979             | -            | 328,497   |
| -                 | -        | -                        | -                  | 1,087        | 1,087     |
| -                 | -        | -                        | -                  | 230,000      | 270,000   |
| -                 | -        | -                        | 655                | -            | 655       |
| -                 | -        | -                        | 243,133            | -            | 243,133   |
| -                 | -        | -                        | -                  | 215,000      | 215,000   |
| -                 | -        | -                        | 67,338             | -            | 67,338    |
| 97,853            | 1,600    | 14,631                   | 356,105            | 446,087      | 1,125,710 |
| 9,253             | -        | -                        | 90,647             | -            | 99,900    |
| -                 | -        | -                        | -                  | 11,181       | 11,181    |
| -                 | -        | -                        | -                  | 230,000      | 270,000   |
| -                 | -        | -                        | 310,471            | 690          | 311,161   |
| 9,253             | -        | -                        | 401,118            | 241,871      | 692,242   |
| -                 | -        | -                        | 97,889             | -            | 97,889    |
| -                 | -        | -                        | -                  | 215,000      | 215,000   |
| 88,600            | 1,600    | 14,631                   | -                  | -            | 274,265   |
| -                 | -        | -                        | (142,902)          | (10,784)     | (153,686) |
| 88,600            | 1,600    | 14,631                   | (45,013)           | 204,216      | 433,468   |
| 97,853            | 1,600    | 14,631                   | 356,105            | 446,087      | 1,125,710 |

Harrison County

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

Year ended June 30, 2011

|                                                              | County<br>Recorder's<br>Records<br>Management | Urban<br>Renewal<br>Revenue | Special<br>Resource<br>Enhance-<br>ment and<br>Protection |
|--------------------------------------------------------------|-----------------------------------------------|-----------------------------|-----------------------------------------------------------|
| <b>Revenues:</b>                                             |                                               |                             |                                                           |
| Property and other county tax                                | \$ -                                          | 50,983                      | -                                                         |
| Intergovernmental                                            | -                                             | -                           | 14,222                                                    |
| Charges for service                                          | 3,198                                         | -                           | -                                                         |
| Use of money and property                                    | 71                                            | -                           | 1,117                                                     |
| Fines, forfeitures and defaults                              | -                                             | -                           | -                                                         |
| Miscellaneous                                                | -                                             | -                           | -                                                         |
| Total revenues                                               | <u>3,269</u>                                  | <u>50,983</u>               | <u>15,339</u>                                             |
| <b>Expenditures:</b>                                         |                                               |                             |                                                           |
| Operating:                                                   |                                               |                             |                                                           |
| Public safety and legal services                             | -                                             | -                           | -                                                         |
| County environment and education                             | -                                             | 32,588                      | -                                                         |
| Governmental services to residents                           | 5,000                                         | -                           | -                                                         |
| Non-program                                                  | -                                             | -                           | -                                                         |
| Debt service                                                 | -                                             | -                           | -                                                         |
| Capital projects                                             | -                                             | -                           | 58,965                                                    |
| Total expenditures                                           | <u>5,000</u>                                  | <u>32,588</u>               | <u>58,965</u>                                             |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,731)</u>                                | <u>18,395</u>               | <u>(43,626)</u>                                           |
| <b>Other financing sources:</b>                              |                                               |                             |                                                           |
| Operating transfers in                                       | -                                             | -                           | -                                                         |
| Drainage warrants issued                                     | -                                             | -                           | -                                                         |
| Total other financing sources                                | <u>-</u>                                      | <u>-</u>                    | <u>-</u>                                                  |
| Net change in fund balances                                  | (1,731)                                       | 18,395                      | (43,626)                                                  |
| Fund balances beginning of year, as restated                 | 5,830                                         | 88,902                      | 101,664                                                   |
| Fund balances end of year                                    | <u>\$ 4,099</u>                               | <u>107,297</u>              | <u>58,038</u>                                             |

See accompanying independent auditor's report.

| Revenue              |          |                                |                       |                 |           |
|----------------------|----------|--------------------------------|-----------------------|-----------------|-----------|
| Flood and<br>Erosion | Seizures | Drug<br>Search and<br>Seizures | Drainage<br>Districts | Debt<br>Service | Total     |
| -                    | -        | -                              | -                     | 239,295         | 290,278   |
| -                    | -        | -                              | -                     | 16,938          | 31,160    |
| -                    | -        | 30                             | -                     | -               | 3,228     |
| -                    | -        | -                              | -                     | -               | 1,188     |
| -                    | -        | 1,103                          | -                     | -               | 1,103     |
| -                    | -        | 3,704                          | 158,008               | -               | 161,712   |
| -                    | -        | 4,837                          | 158,008               | 256,233         | 488,669   |
| -                    | -        | 7,086                          | -                     | -               | 7,086     |
| 13,141               | -        | -                              | -                     | -               | 45,729    |
| -                    | -        | -                              | -                     | -               | 5,000     |
| -                    | -        | -                              | 276,279               | -               | 276,279   |
| -                    | -        | -                              | 8,868                 | 456,987         | 465,855   |
| -                    | -        | -                              | -                     | -               | 58,965    |
| 13,141               | -        | 7,086                          | 285,147               | 456,987         | 858,914   |
| (13,141)             | -        | (2,249)                        | (127,139)             | (200,754)       | (370,245) |
| 20,000               | -        | -                              | -                     | -               | 20,000    |
| -                    | -        | -                              | 185,440               | -               | 185,440   |
| 20,000               | -        | -                              | 185,440               | -               | 205,440   |
| 6,859                | -        | (2,249)                        | 58,301                | (200,754)       | (164,805) |
| 81,741               | 1,600    | 16,880                         | (103,314)             | 404,970         | 598,273   |
| 88,600               | 1,600    | 14,631                         | (45,013)              | 204,216         | 433,468   |

Harrison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

|                                      | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools           |
|--------------------------------------|-------------------|----------------------------------------|--------------------|-------------------|
| <b>Assets</b>                        |                   |                                        |                    |                   |
| Cash and pooled investments:         |                   |                                        |                    |                   |
| County Treasurer                     | \$ -              | 8,730                                  | 65,199             | 259,601           |
| Other County officials               | 67,952            | -                                      | -                  | -                 |
| Receivables:                         |                   |                                        |                    |                   |
| Property tax:                        |                   |                                        |                    |                   |
| Delinquent                           | -                 | 723                                    | 803                | 43,355            |
| Succeeding year                      | -                 | 168,000                                | 229,000            | 11,312,000        |
| Accounts                             | 647               | -                                      | -                  | -                 |
| Succeeding year drainage assessments | -                 | -                                      | -                  | -                 |
| Special assessments                  | -                 | -                                      | -                  | -                 |
| Due from other governments           | -                 | -                                      | -                  | -                 |
| Prepaid items                        | -                 | -                                      | 150                | -                 |
| <b>Total assets</b>                  | <b>\$ 68,599</b>  | <b>177,453</b>                         | <b>295,152</b>     | <b>11,614,956</b> |
| <b>Liabilities</b>                   |                   |                                        |                    |                   |
| Accounts payable                     | \$ -              | -                                      | 3,759              | -                 |
| Stamped warrants payable             | -                 | -                                      | -                  | -                 |
| Salaries and benefits payable        | -                 | -                                      | 2,270              | -                 |
| Due to other governments             | 38,276            | 177,453                                | 260,350            | 11,614,956        |
| Trusts payable                       | 30,323            | -                                      | -                  | -                 |
| Compensated absences                 | -                 | -                                      | 28,773             | -                 |
| <b>Total liabilities</b>             | <b>\$ 68,599</b>  | <b>177,453</b>                         | <b>295,152</b>     | <b>11,614,956</b> |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | E911 Service Commission | Other   | Total      |
|--------------------|--------------|-----------|--------------------------|--------------------|-------------------------|---------|------------|
| 13,126             | 175,990      | 6,835     | 343,725                  | 171,774            | 125,869                 | 207,300 | 1,378,149  |
| -                  | -            | -         | -                        | -                  | -                       | -       | 67,952     |
| 1,976              | 49,455       | 457       | -                        | -                  | -                       | 8       | 96,777     |
| 541,000            | 3,153,000    | 299,000   | -                        | -                  | -                       | 2,000   | 15,704,000 |
| -                  | -            | -         | -                        | 100                | 32,117                  | 2,303   | 35,167     |
| -                  | -            | -         | -                        | 840,074            | -                       | -       | 840,074    |
| -                  | 31,216       | -         | -                        | -                  | -                       | -       | 31,216     |
| -                  | -            | -         | -                        | 542,489            | -                       | 34,759  | 577,248    |
| -                  | -            | -         | -                        | -                  | -                       | -       | 150        |
| 556,102            | 3,409,661    | 306,292   | 343,725                  | 1,554,437          | 157,986                 | 246,370 | 18,730,733 |
| -                  | -            | -         | -                        | -                  | 7,857                   | 2,441   | 14,057     |
| -                  | -            | -         | -                        | 402,846            | -                       | -       | 402,846    |
| -                  | -            | -         | -                        | 44,472             | -                       | 2,942   | 49,684     |
| 556,102            | 3,409,661    | 306,292   | 343,725                  | 1,107,119          | 150,129                 | 191,219 | 18,155,282 |
| -                  | -            | -         | -                        | -                  | -                       | -       | 30,323     |
| -                  | -            | -         | -                        | -                  | -                       | 49,768  | 78,541     |
| 556,102            | 3,409,661    | 306,292   | 343,725                  | 1,554,437          | 157,986                 | 246,370 | 18,730,733 |

Harrison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

|                                    | Agricultural      |                        |                    |            |
|------------------------------------|-------------------|------------------------|--------------------|------------|
|                                    | County<br>Offices | Extension<br>Education | County<br>Assessor | Schools    |
| <b>Assets and Liabilities</b>      |                   |                        |                    |            |
| Balances beginning of year         | \$ 51,257         | 197,044                | 255,408            | 11,124,499 |
| Additions:                         |                   |                        |                    |            |
| Property and other county tax      | -                 | 167,081                | 227,999            | 11,168,434 |
| E911 surcharge                     | -                 | -                      | -                  | -          |
| State tax credits                  | -                 | 7,831                  | 8,695              | 446,249    |
| Drivers license fees               | -                 | -                      | -                  | -          |
| Office fees and collections        | 622,970           | -                      | -                  | -          |
| Auto licenses, use tax and postage | -                 | -                      | -                  | -          |
| Assessments                        | -                 | -                      | -                  | -          |
| Trusts                             | 121,487           | -                      | -                  | -          |
| Miscellaneous                      | -                 | 148                    | 4,007              | 8,681      |
| Total additions                    | 744,457           | 175,060                | 240,701            | 11,623,364 |
| Deductions:                        |                   |                        |                    |            |
| Agency remittances:                |                   |                        |                    |            |
| To other funds                     | 342,593           | -                      | -                  | -          |
| To other governments               | 267,662           | 194,651                | 200,957            | 11,132,907 |
| Trusts paid out                    | 116,860           | -                      | -                  | -          |
| Total deductions                   | 727,115           | 194,651                | 200,957            | 11,132,907 |
| Balances end of year               | \$ 68,599         | 177,453                | 295,152            | 11,614,956 |

See accompanying independent auditor's report.

| Community<br>Colleges | Corpora-<br>tions | Townships | Auto<br>License<br>and<br>Use Tax | Drainage<br>Districts | E911<br>Service<br>Commission | Other   | Total      |
|-----------------------|-------------------|-----------|-----------------------------------|-----------------------|-------------------------------|---------|------------|
| 528,701               | 3,542,234         | 206,728   | 355,561                           | 417,328               | 161,079                       | 183,171 | 17,023,010 |
| 538,479               | 3,156,508         | 370,487   | -                                 | -                     | -                             | 1,978   | 15,630,966 |
| -                     | -                 | -         | -                                 | -                     | 143,214                       | -       | 143,214    |
| 21,402                | 137,902           | 10,970    | -                                 | -                     | -                             | 90      | 633,139    |
| -                     | -                 | -         | 46,871                            | -                     | -                             | -       | 46,871     |
| -                     | -                 | -         | -                                 | -                     | -                             | -       | 622,970    |
| -                     | -                 | -         | 4,367,553                         | -                     | -                             | -       | 4,367,553  |
| -                     | 12,288            | -         | -                                 | 868,709               | -                             | -       | 880,997    |
| -                     | -                 | -         | -                                 | -                     | -                             | 390,618 | 512,105    |
| 404                   | -                 | 228       | -                                 | 943,006               | 2,084                         | 600,195 | 1,558,753  |
| 560,285               | 3,306,698         | 381,685   | 4,414,424                         | 1,811,715             | 145,298                       | 992,881 | 24,396,568 |
| -                     | -                 | -         | 195,425                           | -                     | -                             | -       | 538,018    |
| 532,884               | 3,439,271         | 282,121   | 4,230,835                         | 1,077,452             | 148,391                       | 537,735 | 22,044,866 |
| -                     | -                 | -         | -                                 | -                     | -                             | 391,947 | 508,807    |
| 532,884               | 3,439,271         | 282,121   | 4,426,260                         | 1,077,452             | 148,391                       | 929,682 | 23,091,691 |
| 556,102               | 3,409,661         | 306,292   | 343,725                           | 1,151,591             | 157,986                       | 246,370 | 18,327,887 |

Harrison County

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

For the Last Nine Years

|                                      | 2011                 | 2010              | 2009              | 2008              |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                     |                      |                   |                   |                   |
| Property and other county tax        | \$ 6,714,586         | 6,324,557         | 6,188,195         | 5,875,034         |
| Local option sales tax               | 475,243              | 447,734           | 477,574           | 465,664           |
| Interest and penalty on property tax | 74,186               | 60,545            | 53,180            | 50,829            |
| Intergovernmental                    | 6,324,666            | 6,481,561         | 5,789,828         | 5,194,003         |
| Licenses and permits                 | 24,442               | 36,719            | 33,362            | 23,574            |
| Charges for service                  | 639,350              | 1,345,004         | 1,370,879         | 1,345,927         |
| Use of money and property            | 147,662              | 77,311            | 163,130           | 329,746           |
| Fines, forfeitures and defaults      | 21,498               | -                 | -                 | -                 |
| Miscellaneous                        | 713,221              | 665,874           | 760,792           | 814,032           |
| <b>Total</b>                         | <b>\$ 15,134,854</b> | <b>15,439,305</b> | <b>14,836,940</b> | <b>14,098,809</b> |
| <b>Expenditures:</b>                 |                      |                   |                   |                   |
| <b>Operating:</b>                    |                      |                   |                   |                   |
| Public safety and legal services     | \$ 1,955,517         | 1,719,725         | 1,907,119         | 1,865,471         |
| Physical health and social services  | 1,357,012            | 1,336,131         | 1,594,390         | 1,711,280         |
| Mental health                        | 1,856,540            | 1,629,060         | 1,786,275         | 2,022,201         |
| County environment and education     | 879,407              | 1,526,616         | 2,309,032         | 1,196,058         |
| Roads and transportation             | 4,687,625            | 4,479,948         | 4,523,788         | 5,065,406         |
| Governmental services to residents   | 456,336              | 441,937           | 507,148           | 484,491           |
| Administration                       | 1,915,157            | 1,735,155         | 1,679,182         | 1,292,617         |
| Non-program                          | 276,279              | -                 | -                 | -                 |
| Debt service                         | 465,855              | 493,923           | 515,633           | 480,546           |
| Capital projects                     | 579,323              | 1,541,345         | -                 | -                 |
| <b>Total</b>                         | <b>\$ 14,429,051</b> | <b>14,903,840</b> | <b>14,822,567</b> | <b>14,118,070</b> |

See accompanying independent auditor's report.

| Modified Accrual Basis |            |            |            |            |
|------------------------|------------|------------|------------|------------|
| 2007                   | 2006       | 2005       | 2004       | 2003       |
| 5,729,568              | 5,336,897  | 5,491,423  | 5,508,332  | 5,126,278  |
| 425,289                | 462,321    | 431,509    | -          | -          |
| 57,510                 | 59,258     | 68,493     | 64,713     | 62,013     |
| 4,776,739              | 4,677,346  | 4,029,136  | 3,905,289  | 4,618,679  |
| 23,574                 | 22,645     | 25,131     | 22,815     | 26,124     |
| 1,422,647              | 1,349,341  | 1,174,042  | 1,379,268  | 1,186,862  |
| 387,284                | 317,305    | 193,104    | 185,799    | 264,786    |
| -                      | -          | -          | -          | -          |
| 798,075                | 867,002    | 550,539    | 674,031    | 702,420    |
| 13,620,686             | 13,092,115 | 11,963,377 | 11,740,247 | 11,987,162 |
| 1,782,628              | 1,749,112  | 1,693,019  | 1,809,631  | 1,666,704  |
| 1,448,676              | 1,382,657  | 1,260,780  | 1,328,820  | 1,188,618  |
| 1,801,955              | 1,518,473  | 1,553,127  | 1,455,268  | 1,581,159  |
| 1,294,395              | 1,002,246  | 1,014,956  | 989,878    | 1,028,875  |
| 5,246,078              | 5,244,431  | 4,594,896  | 4,555,537  | 4,383,475  |
| 431,554                | 559,230    | 381,416    | 383,434    | 419,768    |
| 1,288,661              | 1,086,407  | 1,029,062  | 1,061,809  | 1,122,944  |
| -                      | -          | -          | -          | -          |
| 567,026                | 564,952    | 566,562    | 508,414    | 499,709    |
| 185,004                | 59,645     | 203,801    | 732,215    | 424,112    |
| 14,045,977             | 13,167,153 | 12,297,619 | 12,825,006 | 12,315,364 |

**Schedule 6**

Harrison County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

| Grantor/Program                                                                                         | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---------------------------------------------------------------------------------------------------------|----------------|-------------------------------------|-------------------------|
| Direct:                                                                                                 |                |                                     |                         |
| U.S. Department of Agriculture:                                                                         |                |                                     |                         |
| Natural Resources Conservation Service:                                                                 |                |                                     |                         |
| Emergency Watershed Protection Program                                                                  | 10.923         | EWP-69-6114-9-79                    | \$ 11,269               |
| Indirect:                                                                                               |                |                                     |                         |
| U.S. Department of Agriculture:                                                                         |                |                                     |                         |
| Iowa Department of Human Services:                                                                      |                |                                     |                         |
| Human Services Administrative Reimbursements:                                                           |                |                                     |                         |
| State Administrative Matching Grants for the<br>Supplemental Nutrition Assistance Program               | 10.561         |                                     | 11,066                  |
| U.S. Department of Transportation:                                                                      |                |                                     |                         |
| Iowa Department of Transportation:                                                                      |                |                                     |                         |
| Highway Planning and Construction                                                                       | 20.205         | STP-ES-0043(33)--81--43             | 42,742                  |
| Highway Planning and Construction                                                                       | 20.205         | SB-IACO43-C043-062-A                | 31,395                  |
| Highway Planning and Construction                                                                       | 20.205         | ISSN-29-5(215)82--1T-43             | 38,749                  |
|                                                                                                         |                |                                     | 112,886                 |
| Iowa Department of Public Safety:                                                                       |                |                                     |                         |
| State and Community Highway Safety                                                                      | 20.600         | PAP 10-406, Task76                  | 2,345                   |
| State and Community Highway Safety                                                                      | 20.600         | PAP 11-410, Task 34                 | 7,993                   |
|                                                                                                         |                |                                     | 10,338                  |
| U.S. Department of Health and Human Services:                                                           |                |                                     |                         |
| Southwest 8 Senior Services:                                                                            |                |                                     |                         |
| Special Programs for the Aging Title III,<br>Part D Disease Prevention and Health<br>Promotion Services | 93.043         |                                     | 235                     |
| Iowa Department of Public Health:                                                                       |                |                                     |                         |
| Public Health Emergency Preparedness                                                                    | 93.069         | 5880BT43                            | 4,378                   |
| Public Health Emergency Preparedness                                                                    | 93.069         | 5881BT43                            | 16,446                  |
| Public Health Emergency Preparedness                                                                    | 93.069         | 5881BT343                           | 18,607                  |
|                                                                                                         |                |                                     | 39,431                  |
| Immunization Cluster:                                                                                   |                |                                     |                         |
| Immunization Grants                                                                                     | 93.268         | 5880I436                            | 2,296                   |
| Immunization Grants                                                                                     | 93.268         | 5881I436                            | 2,686                   |
|                                                                                                         |                |                                     | 4,982                   |
| ARRA - Immunization                                                                                     | 93.712         | 5880I436                            | 2,143                   |
|                                                                                                         |                |                                     | 7,125                   |
| Centers for Disease Control and Prevention_                                                             |                |                                     |                         |
| Investigations and Technical Assistance                                                                 | 93.283         | 5881OB13                            | 3,569                   |

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

| Grantor/Program                                           | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|-----------------------------------------------------------|----------------|-------------------------------------|-------------------------|
| U.S. Department of Health and Human Services (continued): |                |                                     |                         |
| Iowa Department of Human Services:                        |                |                                     |                         |
| Human Services Administrative Reimbursements:             |                |                                     |                         |
| Refugee and Entrant Assistance_State                      |                |                                     | 8                       |
| Administered Programs                                     | 93.566         |                                     | <u>8</u>                |
| Child Care Mandatory and Matching Funds                   |                |                                     | 2,700                   |
| of the Child Care and Development Fund                    | 93.596         |                                     | <u>2,700</u>            |
| Foster Care_Title IV-E                                    | 93.658         |                                     | <u>4,400</u>            |
| Adoption Assistance                                       | 93.659         |                                     | <u>1,064</u>            |
| Children's Health Insurance Program                       | 93.767         |                                     | <u>51</u>               |
| Medical Assistance Program                                | 93.778         |                                     | <u>10,618</u>           |
| Social Services Block Grant                               | 93.667         |                                     | <u>3,781</u>            |
| Social Services Block Grant                               | 93.667         |                                     | <u>62,115</u>           |
|                                                           |                |                                     | <u>65,896</u>           |
| Prevent Child Abuse Iowa:                                 |                |                                     |                         |
| Community-Based Child Abuse Prevention                    |                |                                     | 8,183                   |
| Grants                                                    | 93.590         |                                     | <u>8,183</u>            |
| Crawford County:                                          |                |                                     |                         |
| Family Planning_Services                                  | 93.217         | 5881MH08                            | 7,698                   |
| Maternal and Child Health Services Block                  |                |                                     | 581                     |
| Grant to the States                                       | 93.994         | 5881MH08                            | <u>581</u>              |
| U.S. Department of Homeland Security:                     |                |                                     |                         |
| Iowa Department of Public Defense:                        |                |                                     |                         |
| Iowa Homeland Security and Emergency                      |                |                                     |                         |
| Management Division:                                      |                |                                     |                         |
| Disaster Grants - Public Assistance                       |                |                                     | 518,411                 |
| (Presidentially Declared Disasters)                       | 97.036         | FEMA-1763-DR-IA                     | 518,411                 |
| Disaster Grants - Public Assistance                       |                |                                     | 127,915                 |
| (Presidentially Declared Disasters)                       | 97.036         | FEMA-1998-DR-IA                     | <u>127,915</u>          |
|                                                           |                |                                     | <u>646,326</u>          |
| Emergency Management Performance                          |                |                                     | 12,468                  |
| Grants                                                    | 97.042         |                                     | <u>12,468</u>           |
| Southwest Iowa Planning Council:                          |                |                                     |                         |
| Homeland Security Grant Program                           | 97.067         |                                     | 135                     |
| Homeland Security Grant Program                           | 97.067         |                                     | <u>1,298</u>            |
|                                                           |                |                                     | <u>1,433</u>            |
| Total indirect                                            |                |                                     | <u>946,076</u>          |
| Total                                                     |                |                                     | <u>\$ 957,345</u>       |

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Harrison 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.

**Harrison County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 Harrison County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harrison 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 June 11, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Harrison County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Harrison County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harrison 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 certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison 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 Harrisons, 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.

Harrison 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 Harrison 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 Harrison County and other parties to whom Harrison 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 Harrison 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

June 11, 2012

**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**

**Harrison County**



OFFICE OF AUDITOR OF STATE  
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with OMB Circular A-133

To the Officials of Harrison County:

Compliance

We have audited Harrison 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 its major federal program for the year ended June 30, 2011. Harrison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Harrison County's management. Our responsibility is to express an opinion on Harrison 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 Harrison 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 Harrison County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Harrison 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 Harrison 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 Harrison County's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Harrison County and other parties to whom Harrison 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

June 11, 2012

Harrison 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 material weaknesses 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) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was 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) Harrison County did not qualify as a low-risk auditee.

Harrison 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 control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

|                                                                                                                                                                                                                                                                                                                           | Applicable<br>Offices                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.                                                                                                                                                                                                           | County Extension Office, County Sheriff's Civil and Jail Office and Conservation Welcome Center                   |
| (2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. An independent person does not periodically review the bank reconciliation for propriety.                                                                                                 | County Recorder and County Sheriff's Civil and Jail Office                                                        |
| (3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts                                                                                                                                                                                   | County Recorder and County Sheriff's Civil and Jail Office                                                        |
| (4) 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 signed or initialed to evidence review. | County Extension Office, County Sheriff's Civil and Jail Office, Conservation Welcome Center and County Treasurer |
| (5) A listing of cash and checks received is not prepared.                                                                                                                                                                                                                                                                | County Treasurer and Conservation Welcome Center                                                                  |
| (6) There is no evidence an independent review of the coding of receipts to the proper account and fiscal year is performed.                                                                                                                                                                                              | County Treasurer                                                                                                  |
| (7) The person who prepares a summary of tax collections also reconciles delinquencies at year end. There is no evidence an independent person reviews reconciliations for propriety.                                                                                                                                     | Treasurer                                                                                                         |

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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 utilizing currently available staff, including elected officials. Evidence of the review of reconciliations and receipts should be indicated by the signature or initials of the independent reviewer and the date of review.

Responses –

County Extension Office - We will have the Extension Council member review and initial the bank reconciliations periodically and then have it filed in financial records notebook. We will also have an individual open the mail periodically and compile a list of the checks received.

County Recorder – We will improve on segregating duties between employees.

County Sheriff – The Sheriff will review daily receipts and initial and will review daily mail. Also, Sheriff will review all financial transactions and sign or initial on the date of review.

Conservation Welcome Center – We will implement changes to improve the segregation of duties, including review of transactions and reconciliations by independent personnel.

County Treasurer – We are reviewing and initialing the miscellaneous receipts and the daily cash work book. This review will include determining if the revenue account and fiscal year were properly identified. We are also keeping a log of mail receipts. The listing will be compared to receipt and deposit records. The tax reconciliations will be reviewed.

Conclusions – Responses accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions not recorded in the County's financial statements. Additionally, a material amount of intergovernmental revenue was classified as miscellaneous revenue by the Secondary Roads Department. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and capital asset additions are identified and properly included in the County's financial statements. Procedures should be implemented to ensure all receipts are properly classified in the County's financial statements.

Response – We will work on improving this area.

Conclusion – Response accepted.

II-C-11 Payroll – We identified the following internal control deficiencies related to the County payroll:

- Although employees complete timesheets, the timesheets are not submitted to the County Auditor's office as part of payroll. Instead, the departments submit a sheet summarizing the payroll. As a result, most departments manually track their own employee's leave balances in lieu of utilizing the County financial software.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- Department Head timesheets are not approved by the Board of Supervisors. In some cases, Department Heads do not complete timesheets.
- The same person calculates and inputs rates of pay for salaried employees with no independent review.
- Certain salaried employees are paid in advance of the wages being earned.

Recommendation – All timesheets prepared by personnel should be submitted to the County Auditor’s office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee’s immediate supervisor or the County Officer or Department Head prior to the submission. The timesheet should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

The calculation of payroll rates for salaried employees should be reviewed by an independent person.

The Board of Supervisors should not allow salary payments in advance of wages earned. In accordance with an Attorney General's opinion dated July 12, 1979, the credit of the State or its political subdivisions cannot be extended except for a public purpose or to fulfill or liquidate a moral or legal obligation incurred by the State or its political subdivisions.

The Board of Supervisors should require all Department Heads to submit a timesheet for their review and approval. The timesheet should support all hours worked and leave taken.

Response – We will review the payroll process and work with the County Auditor to make improvements in these areas.

Conclusion – Response accepted.

II-D-11 County Sheriff – Commissary profits are not periodically remitted to the County Treasurer. Certain expenditures for other than resale items were paid from the County Sheriff’s commissary account but were not included in the County’s budget or annual financial reports.

Recommendation – Commissary profits in excess of those needed to purchase resale items should be remitted to the County Treasurer. Expenditures made from the commissary profits should be paid by claims approved by the Board of Supervisors and reflected in the County’s accounting system, County budget and annual financial reports.

Response – We are going to determine a balance on this account and the excess funds will be transferred to the County Treasurer. Purchases made from the profits will run through the claim and budget process.

Conclusion – Response accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-E-11 County Offices – The County Sheriff and Conservation Welcome Center do not prepare year-to-date summaries of receipts and disbursements for financial reporting.

Recommendation – The County Sheriff and Conservation Welcome Center should prepare year-to-date summaries of receipts and disbursements. The beginning balance plus receipts minus disbursements should reconcile to the ending book balance.

Responses –

County Sheriff - A year to date spreadsheet will be implemented into the end of month procedures.

Conservation – We will begin to keep a year-to-date spreadsheet.

Conclusions – Responses accepted.

II-F-11 Prisoner Room and Board – The following internal control deficiencies related to prisoner room and board were identified:

- A ledger is not maintained for tracking room and board billings, collections and outstanding balances.
- A reconciliation of billings, collections and accounts receivable balances is not performed.
- The County does not consistently send delinquent accounts to the magistrate in a timely manner and the delinquent accounts are not reviewed by an independent person.

Recommendation – The County should implement policies and procedures to ensure adequate records are maintained for prisoner room and board and reconciliations are performed. An independent person should periodically review the reconciliations for propriety and the reviews performed should be evidenced by the signature or initials of the reviewer and the date of the review. Delinquent accounts should be remitted to the magistrate timely and reviewed by an independent person.

Response – We have purchased QuickBooks 2012 and will use this program to track and reconcile room and board activity. Procedures will be implemented to send delinquent accounts to the magistrate monthly. An independent person will review the reconciliations and delinquent accounts.

Conclusion – Response accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-G-11 Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following deficiencies in the County’s computer systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because the software does not require users to change log-ins/passwords periodically.
- usage of the internet.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer systems. A written disaster recovery plan should be developed.

Response – We will work on these policies and a disaster recovery plan.

Conclusion – Response accepted.

II-H-11 Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a policy to regulate the use of the credit cards.

Recommendation – The County should adopt a written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We will work on this policy.

Conclusion – Response accepted.

II-I-11 County Treasurer – Although monthly bank reconciliations were prepared, variances existed between the bank balance and the Treasurer’s general ledger balance. Additionally, the reconciliation was not reviewed by an independent person. The variances were resolved for audit purposes.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and any variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of review.

Response – We are initiating these steps.

Conclusion – Response accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-J-11 Accounting Policies and Procedures Manual – The County Sheriff’s Office does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – We will work on developing an accounting procedures manual.

Conclusion – Response accepted.

II-K-11 Conservation Welcome Center – Monthly reconciliations of book and bank balances were not prepared. A list of outstanding checks was not always prepared for each month.

Prenumbered receipts were not issued for all collections.

The daily credit card and cash sales records are not reconciled to deposits by an independent person. Additionally, fees for credit card processing are automatically deducted from the Welcome Center checking accounting. These amounts were not included in the County’s budget or financial reporting.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved timely. A listing of outstanding checks should be prepared and retained monthly. An independent review of the reconciliation should be performed periodically and should be evidenced by the signature or initials of the reviewer and the date of review.

Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all receipts.

An independent review of the daily collections to deposit should be performed periodically and should be evidenced by the signature or initials of the reviewer and the date of review. The credit card processing fees should be paid by claim approved by the Conservation Board and included in the County’s accounting system.

Response – We will perform monthly reconciliations of balances and accounts which will be reviewed by the Director or representative. Receipts will be issued for all transactions and deposits will be reviewed and evidenced. Credit card processing fees will be recorded in the County’s accounting system.

Conclusion – Response accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-L-11 Welcome Center Inventory – The Welcome Center operates the Iowa Products Store which sells various merchandise including food, beverage, clothing, crafts and a wide variety of souvenirs. Inventory records are not maintained.

Recommendation – To facilitate proper control over the merchandise, the County should implement procedures to ensure complete inventory records are maintained and kept current. A physical count of the inventory should be performed periodically by an employee having no responsibility for the inventory.

Response – We will improve inventory control by keeping records of all items and performing periodic inventory counts with a review by the Director or representative.

Conclusion – Response accepted.

II-M-11 County Sheriff's Deposits – Receipts were not always deposited timely. In some cases, trust disbursements were made prior to the trust receipts being deposited. As result, the Sheriff's Office incurred \$68 in bank overdraft fees.

Recommendation – To safeguard cash and increase funds available for disbursement, receipts should be deposited intact on a timely basis.

Response – This has been addressed by making deposits more often and in a timely manner.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Harrison 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:**

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

Harrison 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. Disbursements in certain departments exceeded the amounts appropriated.

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

Response – We will watch this more closely.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

| <u>Paid to</u>    | <u>Purpose</u>                            | <u>Amount</u> |
|-------------------|-------------------------------------------|---------------|
| Logan Super Foods | Food for Health Board meeting             | \$ 26         |
| Hy-Vee            | Supplies and food for recreation programs | 310           |

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

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

Responses –

Conservation - We will discuss this with the Supervisors and establish a procedure for this.

Board of Health - We will consider the public purpose for similar expenditures should they occur and will make sure proper documentation is included in the claim.

Conclusions – Responses accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-D-10 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection                                         | Transaction Description                                             | Amount |
|-----------------------------------------------------------------------------|---------------------------------------------------------------------|--------|
| Sara Bonham, daughter of County Auditor Susan Bonham                        | Moving files in Courthouse                                          | \$ 97  |
| Steven Bonham, son of County Auditor Susan Bonham                           | Assist with general elections                                       | 437    |
| Carter Oliver, son of Emergency Management Director Larry Oliver            | Yard work at County Sheriff's Office                                | 50     |
| Cheryl Smith Cleaning Services, owned by wife of Supervisor Robert Smith    | Cleaning services at County Sheriff's and County Engineer's offices | 8,500  |
| Lois Hall, wife of Secondary Roads employee Dennis Hall                     | Cleaning services                                                   | 6,240  |
| Just a Print Promotions, owned by wife of maintenance employee Louis Valles | Various promotional items                                           | 1,530  |

The transactions with Cheryl Smith Cleaning Services, Louis Hall and Just a Print Promotions may represent conflicts of interest as defined in Chapter 331.342(2)(i) and (j) of the Code of Iowa since the services were not bid and exceeded \$1,500 during the fiscal year.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

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

Response – We have asked for an opinion from the County Attorney.

Conclusion – Response accepted.

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.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Although minutes of the Board proceedings were published, they were not provided to the newspaper within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure the minutes are provided timely for publication, as required.

Response – We will work on submitting the minutes in a timely fashion.

Conclusion – Response accepted.

- 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).

- IV-I-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 Extension Office, the County Sheriff's Civil and Jail Office and the Conservation Welcome Center.

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

Responses –

County Extension Office – We will contact the bank to arrange this.

County Sheriff – We will contact the bank to obtain the back of each cancelled check, as required.

Conservation Welcome Center – We will contact the bank to arrange this.

Conclusions – Responses accepted.

- IV-J-11 Outstanding Warrants/Checks – The County Auditor and County Sheriff did not cancel warrants/checks outstanding for more than one year as required by Chapter 331.554(6) and (7) of the Code of Iowa.

Recommendation – Warrants and checks outstanding for more than one year should be canceled as required.

Responses –

County Auditor – We have revised our policy.

County Sheriff - We will cancel outstanding checks after one year.

Conclusions – Responses accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-K-11 Deficit Balances/Financial Condition – The Debt Service Fund had a deficit cash balance of \$11,181 at June 30, 2011. This appears to violate Chapter 331.476 of the Code of Iowa.

In addition, the Special Revenue, Drainage Districts and Debt Service Funds had unassigned deficit fund balances of \$142,902 and \$10,784, respectively, at June 30, 2011,.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

The County should investigate alternatives to eliminate the deficits to return these funds to a sound financial position.

Response – We will work on this.

Conclusion – Response accepted.

- IV-L-11 Emergency Management Commission – The County has formed a commission to coordinate its services in the event of a disaster and provide joint emergency response communication services. The County budgets for these communication services under Chapter 29C of Code of Iowa. However, the County has not entered into a 28E agreement with the participating local governments to provide joint emergency response communications services as required by Chapter 29C.9(6) of the Code of Iowa.

Recommendation – The County should enter into a 28E agreement with the participating local governments as required.

Response – We will work on developing the required 28E agreements with the local governments.

Conclusion – Response accepted.

- IV-M-11 USDA Sewer Revenue Notes – Instances of non-compliance with the USDA revenue note resolution were noted, as follows:

The County did not make the required monthly transfers to the sewer reserve, debt service and short-lived asset depreciation accounts.

The County did not file the required year-end report by August 30, 2011.

Recommendation – The County should review the note provisions and comply with the requirements.

Response – We will work on this.

Conclusion – Response accepted.

Harrison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-N-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.

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Harrison County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Brett M. Zeller, Senior Auditor  
Tracey L. Gerrish, Staff Auditor  
Laura E. Grinnell, Assistant Auditor  
Daniel J. Mikels, Assistant Auditor  
Stephen J. Hoffman, Auditor Intern

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