



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

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Auditor of State

State Capitol Building  
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**NEWS RELEASE**

FOR RELEASE

February 11, 2013

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

The County had local tax revenue of \$21,146,261 for the year ended June 30, 2012, which included \$708,618 in tax credits from the state. The County forwarded \$17,241,118 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,905,143 of the local tax revenue to finance County operations, a 1.2% increase over the prior year. Other revenues included charges for service of \$1,694,974, operating grants, contributions and restricted interest of \$3,703,931, capital grants, contributions and restricted interest of \$1,898,870, tax increment financing of \$462,964, local option sales tax of \$525,498, unrestricted investment earnings of \$55,417 and other general revenues of \$328,408.

Expenses for County operations totaled \$10,790,590, a 9.1% increase over the prior year. Expenses included \$4,685,651 for roads and transportation, \$1,392,632 for mental health and \$1,180,065 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0039-B00F.pdf>.

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**GUTHRIE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		46-47
Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information – Budgetary Reporting		49
Schedule of Funding Progress for the Retiree Health Plan		50
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	60-61
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Schedule of Findings		65-69
Staff		70

**Guthrie County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerome Caraher	Board of Supervisors	Jan. 2013
Mike Dickson	Board of Supervisors	Jan. 2013
Clifford Carney	Board of Supervisors	Jan. 2015
Everett Grasty	Board of Supervisors	Jan. 2015
Tom Rutledge	Board of Supervisors	Jan. 2015
Jerri Christman	County Auditor	Jan. 2013
Marcia Kindred	County Treasurer	Jan. 2015
Jacki Sloss	County Recorder	Jan. 2015
Marty Arganbright	County Sheriff	Jan. 2013
Mary Benton	County Attorney	Jan. 2015
Forrest Pearson	County Assessor	Jan. 2016

**Guthrie County**



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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Officials of Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Guthrie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County at June 30, 2012, 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 January 22, 2013 on our consideration of Guthrie 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

January 22, 2013



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

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Guthrie 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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- ◆ Revenues of the County's governmental activities increased 9.5%, or approximately \$1,089,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$43,000 and capital grants, contributions and restricted interest increased approximately \$1,275,000.
- ◆ Program expenses of the County's governmental activities were 9.1%, or approximately \$901,000, more in fiscal year 2012 than in fiscal year 2011. Roads and transportation expenses increased approximately \$634,000.
- ◆ The County's net assets increased 9.3%, or approximately \$1,784,000, from June 30, 2011 to June 30, 2012.

### **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 Guthrie 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 Guthrie 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 Guthrie 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.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others 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

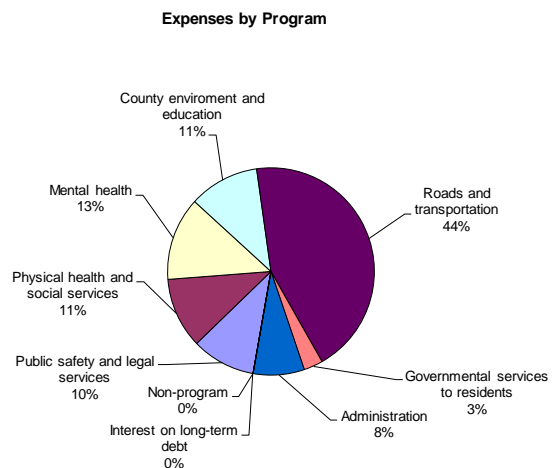
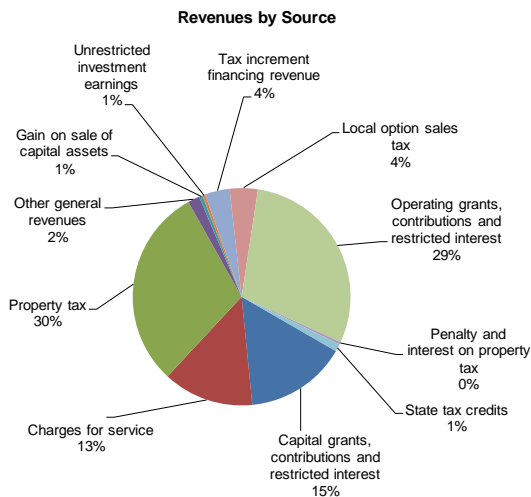
As noted earlier, net assets may serve over time as a useful indicator of financial position. Guthrie County's combined net assets increased from approximately \$19.1 million at the end of fiscal year 2011 to approximately \$20.9 million at the end of fiscal year 2012. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011 (Restated)
Current and other assets	\$ 12,092	10,834
Capital assets	15,996	14,079
Total assets	28,088	24,913
Long-term debt outstanding	1,908	1,100
Other liabilities	5,311	4,728
Total liabilities	7,219	5,828
Net assets:		
Invested in capital assets, net of related debt	15,965	13,599
Restricted	3,761	4,208
Unrestricted	1,143	1,278
Total net assets	\$ 20,869	19,085

Net assets of Guthrie County's governmental activities increased 9.3% (approximately \$20.9 million compared to approximately \$19.1 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. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,278,000 at June 30, 2011 to approximately \$1,143,000 at the end of this year, a decrease of 10.6%.

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

	Year ended June 30,	
	2012	2011 (Restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,695	2,102
Operating grants, contributions and restricted interest	3,704	3,824
Capital grants, contributions and restricted interest	1,899	624
<b>General revenues:</b>		
Property tax	3,766	3,723
Tax increment financing	463	467
Penalty and interest on property tax	46	56
State tax credits	139	137
Local option sales tax	525	448
Unrestricted investment earnings	55	46
Gain on disposal of capital assets	63	-
Other general revenues	220	59
<b>Total revenues</b>	<b>12,575</b>	<b>11,486</b>
<b>Program expenses:</b>		
Public safety and legal services	1,076	1,065
Physical health and social services	1,180	1,133
Mental health	1,393	1,136
County environment and education	1,178	1,132
Roads and transportation	4,686	4,052
Governmental services to residents	345	331
Administration	899	993
Non-program	11	7
Interest on long-term debt	23	41
<b>Total expenses</b>	<b>10,791</b>	<b>9,890</b>
<b>Increase in net assets</b>	<b>1,784</b>	<b>1,596</b>
<b>Net assets beginning of year</b>	<b>19,085</b>	<b>17,489</b>
<b>Net assets end of year</b>	<b>\$ 20,869</b>	<b>19,085</b>



Guthrie County's net assets of governmental activities increased approximately \$1,784,000 during the year. Revenues for governmental activities increased approximately \$1,089,000 over the prior year.

The County decreased property tax rates for fiscal year 2012 an average of 2%. County wide taxable valuations in Guthrie County have increased as follows: from \$537,390,425 in fiscal year 2010 to \$589,008,524 in fiscal year 2011 and \$620,147,886 in fiscal year 2012. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional \$550,000 next year.

The cost of all governmental activities this year was approximately \$10.8 million compared to approximately \$9.9 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$3.5 million because some of the cost was paid by those directly benefited from the programs (\$1,695,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$5,603,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2012 from approximately \$6,550,000 to approximately \$7,298,000, principally due to receiving more contributions for roads and transportation.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Guthrie County completed the year, its governmental funds reported a combined fund balance of approximately \$6.6 million, an increase of approximately \$834,000 over last year's total of approximately \$5.8 million. The increase in fund balance is primarily attributable to a \$1,210,000 general obligation bond issue during the year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$438,000 from the prior year to approximately \$1,992,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund revenues totaled approximately \$627,000, a decrease of 16.0% from the prior year. The County was eligible for less funding from the State during fiscal year 2012 due to the County's fund balance to expenditures ratio. Expenditures totaled approximately \$1,393,000, an increase of 22.5% over the prior year. The increase is due, in part, to a decrease in the share of expenditures paid by the Federal government and more clients accessing services. The Mental Health Fund balance at year end decreased approximately \$765,000 from the prior year to a deficit of \$340,512.
- Special Revenue, Rural Services Fund revenues increased approximately \$63,000 compared to the prior year. Expenditures decreased approximately \$78,000, an 11.0% decrease from the prior year, primarily due to a decrease in solid waste disposal expenditures. The Rural Services Fund ending fund balance increased approximately \$97,000 from the prior year to approximately \$618,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$718,000 compared to the prior year. Expenditures increased approximately \$390,000, or 8.4% over the prior year, due principally to an increase in roadway construction. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$183,000, or 6.8%.
- During the year ended June 30, 2012, the County issued \$1,210,000 of general obligation bonds on behalf of the South Central Iowa Regional E-911 Service Board for the acquisition of equipment. The proceeds from the bond issue were placed in the Debt Service Fund to account for this major project.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie County amended its budget one time. The amendment was made in April 2012 and resulted in an increase in budgeted disbursements for public safety and legal services, physical health and social services, county environment and education and roads and transportation, primarily for a new vehicle for the Sheriff's department and new equipment for the Secondary Roads department.

The County's receipts were \$574,649 more than budgeted, a variance of 5.4%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$982,559 less than the amended budget. Actual disbursements for the capital projects, mental health and county environment and education functions were \$261,707, \$172,743 and \$144,354, respectively, less than budgeted. For the capital projects function, \$423,000 was budgeted for the Secondary Roads department and \$251,293 was actually disbursed and \$90,000 was budgeted for conservation land acquisitions/development, none of which was disbursed. The chronic mental illness services portion of the mental health services function was 32.9% less than budgeted and the county environment and education function was 13% less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Guthrie County had approximately \$16.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,918,000, or 13.6%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011 (Restated)
Land	\$ 1,314	1,314
Works of art	128	128
Construction in progress	1,581	524
Buildings and improvements	2,042	2,135
Equipment and vehicles	3,044	2,880
Infrastructure	7,887	7,098
Total	\$ 15,996	14,079

The County had depreciation expense of \$827,344 in fiscal year 2012 and total accumulated depreciation of \$7,211,450 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2012, Guthrie County had \$1,241,200 in long-term debt outstanding, compared to \$480,342 at June 30, 2011.

Debt increased as a result of issuing general obligation bonds on behalf of the South Central Iowa Regional E-911 Service Board for acquisition of equipment.

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. Guthrie County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$61 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Guthrie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 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 5.1% versus 5.6% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 8.2%

The total taxable valuation for fiscal year 2013 increased 2.59% or \$16,037,196. The levy rates remained constant from fiscal year 2012, except for the mental health levy which increased from \$.25 to \$.96535 per \$1,000 of taxable valuation, which is the maximum amount allowed. The requirements for Mental Health Regionalization will affect the County's mental health levy in the near future.

Property tax reform is an issue Guthrie County will continue to monitor closely as it could have a major effect on the County.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie 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 Guthrie County Auditor's Office, 200 North 5<sup>th</sup> Street, Guthrie Center, IA 50115.

**Guthrie County**



## **Basic Financial Statements**

**Exhibit A**

Guthrie County  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 5,109,618
Held by component units	154,873
Receivables:	
Property tax:	
Delinquent	2,864
Succeeding year	4,504,000
Interest and penalty on property tax	1,255
Accounts	61,160
Loan	1,210,000
Accrued interest	6,556
Drainage assessments	1,639
Due from other governments	445,919
Inventories	385,527
Prepaid insurance	208,507
Capital assets (net of accumulated depreciation)	15,996,460
<b>Total assets</b>	<u>28,088,378</u>
<b>Liabilities</b>	
Accounts payable	135,728
Accrued interest payable	7,874
Salaries and benefits payable	143,206
Due to other governments	520,334
Deferred revenue:	
Succeeding year property tax	4,504,000
Long-term liabilities:	
Portion due or payable within one year:	
Revenue bonds	31,200
General obligation bonds	70,000
Estimated liability for landfill closure and postclosure care	12,525
Drainage warrants	1,597
Compensated absences	227,138
Portion due or payable after one year:	
General obligation bonds	1,140,000
Estimated liability for landfill closure and postclosure care	237,975
Compensated absences	29,302
Net OPEB liability	158,000
<b>Total liabilities</b>	<u>7,218,879</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,965,260
Restricted for:	
Supplemental levy purposes	334,832
Rural services purposes	356,304
Secondary roads purposes	2,408,176
Conservation purposes	583,227
Other purposes	78,732
Unrestricted	1,142,968
<b>Total net assets</b>	<u>\$ 20,869,499</u>

See notes to financial statements.

Guthrie County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,076,391	88,670	12,410	-	(975,311)
Physical health and social services	1,180,065	617,532	235,429	-	(327,104)
Mental health	1,392,632	67,453	457,527	-	(867,652)
County environment and education	1,178,215	396,130	-	-	(782,085)
Roads and transportation	4,685,651	195,440	2,998,200	1,898,870	406,859
Governmental services to residents	344,877	244,042	15	-	(100,820)
Administration	899,050	84,969	-	-	(814,081)
Non-program	10,492	738	-	-	(9,754)
Interest on long-term debt	23,217	-	350	-	(22,867)
<b>Total</b>	<b>\$10,790,590</b>	<b>1,694,974</b>	<b>3,703,931</b>	<b>1,898,870</b>	<b>(3,492,815)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,766,381
Tax increment financing					462,964
Penalty and interest on property tax					45,762
State tax credits					138,762
Local option sales tax					525,498
Unrestricted investment earnings					55,417
Gain on disposal of capital assets					63,123
Miscellaneous					219,523
<b>Total general revenues</b>					<b>5,277,430</b>
Change in net assets					1,784,615
Net assets beginning of year, as restated					19,084,884
Net assets end of year					<b>\$ 20,869,499</b>

See notes to financial statements.

Guthrie County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 1,863,599	158,338	513,372
Held by component units	-	-	-
Receivables:			
Property tax:			
Delinquent	1,598	90	538
Succeeding year	2,721,000	611,000	1,130,000
Interest and penalty on property tax	1,255	-	-
Accounts	32,881	20	28,239
Loan	-	-	-
Accrued interest	6,358	-	-
Drainage assessments	-	-	-
Due from other governments	104,249	32,439	102,267
Inventories	-	-	-
Prepaid insurance	120,356	-	5,202
<b>Total assets</b>	<b>\$ 4,851,296</b>	<b>801,887</b>	<b>1,779,618</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 23,941	17,173	26,791
Salaries and benefits payable	60,484	250	4,146
Due to other governments	3,920	513,886	-
Deferred revenue:			
Succeeding year property tax	2,721,000	611,000	1,130,000
Other	49,968	90	539
<b>Total liabilities</b>	<b>2,859,313</b>	<b>1,142,399</b>	<b>1,161,476</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	120,356	-	5,202
Restricted for:			
Supplemental levy purposes	334,832	-	-
Rural services purposes	-	-	602,940
Secondary roads purposes	-	-	-
Drainage warrants	-	-	-
Conservation purposes	35,884	-	-
Debt service	-	-	-
Transfer station closure/postclosure care	-	-	10,000
Other purposes	35,284	-	-
Unassigned	1,465,627	(340,512)	-
<b>Total fund balances</b>	<b>1,991,983</b>	<b>(340,512)</b>	<b>618,142</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,851,296</b>	<b>801,887</b>	<b>1,779,618</b>

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
1,986,393	-	443,076	4,964,778
-	-	154,873	154,873
-	-	638	2,864
-	-	42,000	4,504,000
-	-	-	1,255
20	-	-	61,160
-	1,210,000	-	1,210,000
-	-	99	6,457
-	-	1,639	1,639
206,964	-	-	445,919
385,527	-	-	385,527
82,949	-	-	208,507
<u>2,661,853</u>	<u>1,210,000</u>	<u>642,325</u>	<u>11,946,979</u>
67,760	-	63	135,728
78,326	-	-	143,206
2,528	-	-	520,334
-	-	42,000	4,504,000
-	-	2,277	52,874
<u>148,614</u>	<u>-</u>	<u>44,340</u>	<u>5,356,142</u>
385,527	-	-	385,527
82,949	-	-	208,507
-	-	-	334,832
-	-	-	602,940
2,044,763	-	-	2,044,763
-	-	9,780	9,780
-	-	547,343	583,227
-	1,210,000	-	1,210,000
-	-	-	10,000
-	-	40,862	76,146
-	-	-	1,125,115
<u>2,513,239</u>	<u>1,210,000</u>	<u>597,985</u>	<u>6,590,837</u>
<u>2,661,853</u>	<u>1,210,000</u>	<u>642,325</u>	<u>11,946,979</u>

**Guthrie County**

Guthrie County

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

June 30, 2012

<b>Total governmental fund balances (page 19)</b>	\$ 6,590,837
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
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 \$23,207,910 and the accumulated depreciation is \$7,211,450.	15,996,460
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	52,874
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Assets.	144,939
Long-term liabilities, including bonds payable, compensated absences payable, the closure and postclosure care liability, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(1,915,611)</u>
<b>Net assets of governmental activities (page 17)</b>	<u><u>\$ 20,869,499</u></u>
See notes to financial statements.	

Guthrie County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,563,335	144,004	1,062,045
Local option sales tax	-	-	525,498
Interest and penalty on property tax	44,506	-	-
Intergovernmental	927,919	479,635	126,403
Licenses and permits	26,739	-	-
Charges for service	471,772	-	16,092
Use of money and property	96,112	-	-
Miscellaneous	129,564	3,651	360,213
Total revenues	4,259,947	627,290	2,090,251
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,050,787	-	-
Physical health and social services	1,151,263	-	-
Mental health	-	1,392,632	-
County environment and education	464,178	-	609,739
Roads and transportation	-	-	23,344
Governmental services to residents	334,054	-	-
Administration	808,814	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,809,096	1,392,632	633,083
Excess (deficiency) of revenues over (under) expenditures	450,851	(765,342)	1,457,168
<b>Other financing sources (uses):</b>			
Sale of capital assets	2,590	-	-
Operating transfers in	-	-	-
Operating transfers out	(15,231)	-	(1,359,904)
General obligation bond proceeds	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(12,641)	-	(1,359,904)
Net change in fund balances	438,210	(765,342)	97,264
Fund balances beginning of year	1,553,773	424,830	520,878
Fund balances end of year	\$ 1,991,983	(340,512)	618,142

See notes to financial statements.



Secondary Roads	Debt Service	Nonmajor	Total
-	-	462,964	4,232,348
-	-	-	525,498
-	-	-	44,506
3,262,147	-	10,508	4,806,612
15,435	-	-	42,174
6	-	3,823	491,693
1,457	-	17,163	114,732
92,036	200	46,901	632,565
3,371,081	200	541,359	10,890,128
-	-	-	1,050,787
-	-	-	1,151,263
-	-	-	1,392,632
-	-	22,491	1,096,408
4,710,546	-	-	4,733,890
-	-	3,067	337,121
47,085	-	-	855,899
-	200	480,693	480,893
251,293	-	-	251,293
5,008,924	200	506,251	11,350,186
(1,637,843)	-	35,108	(460,058)
79,515	-	-	82,105
1,375,135	-	-	1,375,135
-	-	-	(1,375,135)
-	1,210,000	-	1,210,000
-	-	1,597	1,597
1,454,650	1,210,000	1,597	1,293,702
(183,193)	1,210,000	36,705	833,644
2,696,432	-	561,280	5,757,193
2,513,239	1,210,000	597,985	6,590,837

Guthrie County

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

Year ended June 30, 2012

**Net change in fund balances - Total governmental funds (page 23)** \$ 833,644

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

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

Expenditures for capital assets	\$ 998,821	
Capital assets contributed by the Iowa Department of Transportation	1,765,232	
Depreciation expense	<u>(827,344)</u>	1,936,709

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. (18,982)

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	(3,003)	
Other	<u>(141,069)</u>	(144,072)

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

Issued	(1,211,597)	
Repaid	<u>462,937</u>	(748,660)

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	(7,390)	
Estimated liability for landfill closure and postclosure care	8,325	
Other postemployment benefits	(60,000)	
Interest on long-term debt	<u>(5,261)</u>	(64,326)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (9,698)

**Change in net assets of governmental activities (page 17)** \$ 1,784,615

See notes to financial statements.

Guthrie County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2012

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 144,840
Accrued interest receivable	99
<b>Total assets</b>	144,939
<b>Liabilities</b>	
None	-
<b>Net Assets</b>	
Unrestricted	\$ 144,939

See notes to financial statements.

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

Year ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Insurance reimbursements	\$ 343
Operating expenses:	
Medical claims	<u>10,492</u>
Operating loss	(10,149)
Non-operating revenues:	
Interest income	<u>451</u>
Net loss	(9,698)
Net assets beginning of year	<u>154,637</u>
Net assets end of year	<u><u>\$ 144,939</u></u>
See notes to financial statements.	

Guthrie County  
 Statement of Cash Flows  
 Proprietary Fund  
 Year ended June 30, 2012

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 343
Cash paid to suppliers for services	(14,535)
Net cash used by operating activities	(14,192)
Cash flows from investing activities:	
Interest on investments	500
Net decrease in cash and cash equivalents	(13,692)
Cash and cash equivalents beginning of year	158,532
Cash and cash equivalents end of year	\$ 144,840
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (10,149)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(4,043)
Net cash used by operating activities	\$ (14,192)

See notes to financial statements.

Guthrie County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,035,038
Other County officials	17,526
Receivables:	
Property tax:	
Delinquent	9,244
Succeeding year	16,814,000
Accounts	2,958
Special assessments	231,301
Due from other governments	14,036
Prepaid insurance	11,531
<b>Total assets</b>	<u><u>\$ 18,135,634</u></u>

**Liabilities**

Accounts payable	\$ 48,367
Salaries and benefits payable	3,700
Due to other governments	18,036,137
Trusts payable	44,193
Compensated absences	3,237
<b>Total liabilities</b>	<u><u>\$ 18,135,634</u></u>

See notes to financial statements.

Guthrie County

Notes to Financial Statements

June 30, 2012

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

Guthrie 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, Guthrie 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 Guthrie 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.

Ten 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 Guthrie County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has another drainage district that is managed and supervised by elected trustees. The financial statements for this district is reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Guthrie County Auditor's Office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

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: Guthrie County Assessor's Conference Board and Guthrie County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit and drainage district stamped warrants, 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
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	40 - 50
Improvements other than buildings	20 - 50
Infrastructure	30 - 65
Intangibles	2 - 15
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, 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.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2012 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.

At June 30, 2012, the County had investments in Guthrie County drainage district stamped warrants which are valued at \$1,597.

Credit risk – The investment in Guthrie County drainage district stamped warrants is unrated.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 15,231
	Special Revenue:	
	Rural Services	<u>1,359,904</u>
Total		<u>\$ 1,375,135</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,314,199	-	-	1,314,199
Works of art	127,765	-	-	127,765
Construction in progress	524,233	1,765,232	(708,207)	1,581,258
Total capital assets not being depreciated	<u>1,966,197</u>	<u>1,765,232</u>	<u>(708,207)</u>	<u>3,023,222</u>
Capital assets being depreciated:				
Buildings	2,251,446	-	-	2,251,446
Improvements other than buildings	1,309,545	-	-	1,309,545
Equipment and vehicles	7,303,491	668,124	(428,486)	7,543,129
Infrastructure, road network	8,017,163	1,063,405	-	9,080,568
Total capital assets being depreciated	<u>18,881,645</u>	<u>1,731,529</u>	<u>(428,486)</u>	<u>20,184,688</u>
Less accumulated depreciation for:				
Buildings	1,297,491	51,653	-	1,349,144
Improvements other than buildings	128,900	40,660	-	169,560
Equipment and vehicles	4,423,698	460,271	(385,003)	4,498,966
Infrastructure, road network	919,020	274,760	-	1,193,780
Total accumulated depreciation	<u>6,769,109</u>	<u>827,344</u>	<u>(385,003)</u>	<u>7,211,450</u>
Total capital assets being depreciated, net	<u>12,112,536</u>	<u>904,185</u>	<u>(43,483)</u>	<u>12,973,238</u>
Governmental activities capital assets, net	<u>\$ 14,078,733</u>	<u>2,669,417</u>	<u>(751,690)</u>	<u>15,996,460</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 40,702
Physical health and social services	19,393
County environment and education	85,311
Roads and transportation	648,495
Governmental services to residents	2,433
Administration	31,010
Total depreciation expense - governmental activities	<u>\$ 827,344</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 3,920
Special Revenue:		
Mental Health	Services	513,886
Secondary Roads	Services	2,528
		<u>516,414</u>
Total for governmental funds		<u>\$ 520,334</u>
Agency:		
County Assessor	Collections	\$ 797,570
Schools		9,279,499
Community Colleges		380,769
Corporations		2,414,170
Townships		2,796,105
Auto License and Use Tax		262,749
County Hospital		1,596,972
All other		508,303
Total for agency funds		<u>\$ 18,036,137</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Tax Increment		Estimated Liability		Compen- sated Absences	Net OPEB Liability	Total
	Urban Renewal Revenue Bonds	General Obligation E-911 Bonds	for Landfill Closure and Postclosure Costs	Drainage District Stamped Warrants			
Balance beginning of year	\$ 480,342	-	258,825	13,795	249,050	98,000	1,100,012
Increases	-	1,210,000	4,000	1,597	183,220	60,000	1,458,817
Decreases	449,142	-	12,325	13,795	175,830	-	651,092
Balance end of year	\$ 31,200	1,210,000	250,500	1,597	256,440	158,000	1,907,737
Due within one year	\$ 31,200	70,000	12,525	1,597	227,138	-	342,460

Tax Increment Urban Renewal Revenue Bonds

The County sold \$1,735,000 of tax increment urban renewal revenue bonds dated November 27, 2001 to provide an economic development incentive to the Tall Corn Ethanol Cooperative and for capital improvements in the Tall Corn Ethanol Urban Renewal Area. The County sold an additional \$900,000 of tax increment urban renewal revenue bonds dated June 12, 2003 to provide capital improvements in the Tall Corn Ethanol Urban Renewal Area. The bonds are payable from the income and proceeds from a separate account within the Special Revenue, Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for the purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County.



Interest on the bonds shall be adjusted to a rate per annum equal to the yield at “constant maturity” of the five-year U.S. Treasury Notes, plus 90 basis points, on December 1, 2011, December 1, 2016 and December 1, 2021. However, the interest rate may not be more than 2% higher or lower than the preceding rate and the adjusted rate may not exceed 8% per annum or be less than 4% per annum. The current interest rate is 5.48%. On December 1, 2005, and on each June 1 and December 1 as long as any of the principal of the bonds remain outstanding, to the extent there are proceeds remaining in the separate account within the Special Revenue, Tax Increment Financing Fund following each required payment of interest, such proceeds shall be applied to the payment of principal on the bonds. Since the interest rate and annual collections are variable, an amortization schedule is not included. Principal repayments of \$449,142 were made during the year ended June 30, 2012.

General Obligation E-911 Bonds

In February 2012, the County issued general obligation E-911 bonds on behalf of the South Central Iowa Regional E-911 Service Board for acquisition of equipment. Details of the County’s June 30, 2012 general obligation E-911 bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.65%	\$ 70,000	28,910	98,910
2014	0.65	75,000	22,570	97,570
2015	1.00	75,000	22,083	97,083
2016	1.00	75,000	21,333	96,333
2017	1.45	75,000	20,583	95,583
2018-2022	1.80-2.15	395,000	84,207	479,207
2023-2027	2.50-2.85	445,000	37,870	482,870
Total		\$ 1,210,000	237,556	1,447,556

The South Central Regional E-911 Service Board has agreed to pay the County the principal and interest on the general obligation bonds as they become due. The County reports a loan receivable equal to the principal outstanding on the general obligation E-911 bonds in the Debt Service Fund.

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$285,998, \$246,734 and \$241,080, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 86 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Auxiant. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 60,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(3,000)</u>
Annual OPEB cost	60,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	60,000
Net OPEB obligation beginning of year	<u>98,000</u>
Net OPEB obligation end of year	<u>\$ 158,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County and plan members eligible for benefits did not contribute to the medical plan.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 48,530	0%	\$ 48,530
2011	49,470	0	98,000
2012	60,000	0	158,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$377,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$377,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,933,000 and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, revised January 20, 2011, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000, and applied on a 2/3 female, 1/3 male basis.

Projected claim costs of the medical plan are \$422.00 per month for retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The actuary made no payroll assumptions as to the future because benefits are not payroll related. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Landfill Closure and Postclosure Care**

To comply with federal and state regulations, the County is required to complete a monitoring system plan and a landfill closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and the care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate a landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deletion, technology, or applicable laws or regulations.

The total costs for the County have been estimated at \$250,500 as of June 30, 2012, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100% of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

To comply with state regulations, the County is required to completed a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the County is required to maintain a closure account as financial assurance for the closure costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

As of June 30, 2012, the total closure costs for the transfer station have been estimated at \$9,723 and the County has restricted \$10,000 in a closure account included in the Special Revenue, Rural Services Fund to cover any possible closure and postclosure costs for the transfer station.

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 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, 2012 were \$193,941.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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 \$1,000,000 and \$20,000 (\$50,000 for certain employees), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance and prescription benefit plan. This plan was modified on January 1, 2011 to be a partial self-funded plan only. The plan which was funded by both employee and County contributions in prior years is administered through a service agreement with Employee Benefit Systems, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$750 for single and \$1,500 for family) and the deductible on the policy County (\$2,000 for single and \$4,000 for family) for the health plan.

Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems, Inc. from the County's operating funds.

Funds remaining in the Employee Group Health Fund will be used to pay outstanding claims from the previous insurance plan. The County had unrestricted net assets of \$144,939 to cover future claims at June 30, 2012 in the Employee Group Health Fund.

**(12) County Care Facility**

On July 1, 1999, the County entered into a lease agreement with Country View Estates, Inc. for the management and operation of the Guthrie County Care Facility and farm. The lease ran through June 30, 2012. Currently the County is on a monthly lease with the Country View Estates. The County will annually provide certain financial support for the operation of the care facility.

**(13) Restatement**

The beginning balances for capital assets and net assets has been restated to include infrastructure projects previously excluded from the capital asset listing. The restatement increased beginning capital assets and net assets, as follows:

	<u>Capital Assets</u>	<u>Net Assets</u>
Balances June 30, 2011, as previously reported	\$ 12,968,181	17,974,332
Infrastructure assets previously excluded from the capital asset listing	<u>1,110,552</u>	<u>1,110,552</u>
Balances July 1, 2011, as restated	<u>\$ 14,078,733</u>	<u>19,084,884</u>

**Required Supplementary Information**

Guthrie 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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,758,446	-	4,758,446
Interest and penalty on property tax	46,985	-	46,985
Intergovernmental	5,241,142	-	5,241,142
Licenses and permits	43,141	-	43,141
Charges for service	500,356	-	500,356
Use of money and property	109,844	16,517	93,327
Miscellaneous	601,819	12,652	589,167
Total receipts	11,301,733	29,169	11,272,564
Disbursements:			
Public safety and legal services	1,043,452	-	1,043,452
Physical health and social services	1,152,680	-	1,152,680
Mental health	1,067,399	-	1,067,399
County environment and education	1,099,599	17,744	1,081,855
Roads and transportation	4,585,880	-	4,585,880
Governmental services to residents	335,332	-	335,332
Administration	893,967	-	893,967
Debt service	466,899	-	466,899
Capital projects	251,293	-	251,293
Total disbursements	10,896,501	17,744	10,878,757
Excess (deficiency) of receipts over (under) disbursements	405,232	11,425	393,807
Other financing sources, net	82,105	-	82,105
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	487,337	11,425	475,912
Balance beginning of year	4,632,314	431,651	4,200,663
Balance end of year	\$ 5,119,651	443,076	4,676,575

See accompanying independent auditor's report.



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Budgeted Amounts		Final to Net Variance
Original	Final	
4,716,298	4,716,298	42,148
36,200	36,200	10,785
4,474,965	4,826,619	414,523
20,400	20,400	22,741
455,935	456,465	43,891
90,198	90,198	3,129
416,735	551,735	37,432
10,210,731	10,697,915	574,649
1,056,118	1,106,360	62,908
1,202,946	1,255,343	102,663
1,240,142	1,240,142	172,743
1,178,874	1,243,953	144,354
4,073,991	4,698,991	113,111
362,948	362,948	27,616
973,479	973,479	79,512
467,100	467,100	201
513,000	513,000	261,707
11,068,598	11,861,316	982,559
(857,867)	(1,163,401)	1,557,208
250	250	81,855
(857,617)	(1,163,151)	1,639,063
3,970,240	3,970,240	230,423
3,112,623	2,807,089	1,869,486

Guthrie County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,301,733	(411,605)	10,890,128
Expenditures	10,896,501	453,685	11,350,186
Net	405,232	(865,290)	(460,058)
Other financing sources, net	82,105	1,211,597	1,293,702
Beginning fund balances	4,632,314	1,124,879	5,757,193
Ending fund balances	\$ 5,119,651	1,471,186	6,590,837

See accompanying independent auditor's report.

Guthrie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 Internal Service 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 and the Debt Service 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 \$792,718. 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 and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any function.

Guthrie County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 398	398	0.00%	\$ 2,944	13.5%
2011	Jul 1, 2009	-	398	398	0.00	2,832	14.1
2012	Jul 1, 2009	-	377	377	0.00	2,933	12.9

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

See accompanying independent auditor's report.

**Supplementary Information**

Guthrie County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection
<b>Assets</b>			
Cash and pooled investments			
County Treasurer	\$ 10,276	9,843	104,189
Held by component unit treasurers	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accrued interest	3	-	78
Drainage assessments	-	1,639	-
<b>Total assets</b>	<b>\$ 10,279</b>	<b>11,482</b>	<b>104,267</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	63	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	1,639	-
<b>Total liabilities</b>	<b>-</b>	<b>1,702</b>	<b>-</b>
Fund balances:			
Restricted for:			
Drainage warrants	-	9,780	-
Conservation purposes	-	-	104,267
Other purposes	10,279	-	-
<b>Total fund balances</b>	<b>10,279</b>	<b>9,780</b>	<b>104,267</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,279</b>	<b>11,482</b>	<b>104,267</b>

See accompanying independent auditor's report.

Special Revenue						
Attorney Seized Property	Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation		Total
1,293	2,362	26,910	-	-		154,873
-	-	-	358,099	84,977		443,076
-	-	638	-	-		638
-	-	42,000	-	-		42,000
-	-	18	-	-		99
-	-	-	-	-		1,639
1,293	2,362	69,566	358,099	84,977		642,325
-	-	-	-	-		63
-	-	42,000	-	-		42,000
-	-	638	-	-		2,277
-	-	42,638	-	-		44,340
-	-	-	-	-		9,780
-	-	-	358,099	84,977		547,343
1,293	2,362	26,928	-	-		40,862
1,293	2,362	26,928	358,099	84,977		597,985
1,293	2,362	69,566	358,099	84,977		642,325

Guthrie County

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

Year ended June 30, 2012

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	10,251
Charges for service	3,823	-	-
Use of money and property	15	-	281
Miscellaneous	-	34,249	-
Total revenues	<u>3,838</u>	<u>34,249</u>	<u>10,532</u>
Expenditures:			
Operating:			
County environment and education	-	4,747	-
Governmental services to residents	3,067	-	-
Debt service	-	13,795	-
Total expenditures	<u>3,067</u>	<u>18,542</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	771	15,707	10,532
Other financing sources:			
Drainage warrants issued	-	1,597	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	771	17,304	10,532
Fund balances beginning of year	9,508	(7,524)	93,735
Fund balances end of year	<u>\$ 10,279</u>	<u>9,780</u>	<u>104,267</u>

See accompanying independent auditor's report.



Special Revenue						
Attorney Seized Property	Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Total	
-	-	462,964	-	-	462,964	
-	-	257	-	-	10,508	
-	-	-	-	-	3,823	
-	1	349	16,025	492	17,163	
-	-	-	9,930	2,722	46,901	
-	1	463,570	25,955	3,214	541,359	
-	-	-	11,487	6,257	22,491	
-	-	-	-	-	3,067	
-	-	466,898	-	-	480,693	
-	-	466,898	11,487	6,257	506,251	
-	1	(3,328)	14,468	(3,043)	35,108	
-	-	-	-	-	1,597	
-	1	(3,328)	14,468	(3,043)	36,705	
1,293	2,361	30,256	343,631	88,020	561,280	
1,293	2,362	26,928	358,099	84,977	597,985	

Guthrie County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,646	426,940	137,280	5,205
Other County officials	17,526	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	111	220	219	5,564
Succeeding year	-	159,000	414,000	9,142,000	370,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	10,017	-	-
<b>Total assets</b>	<b>\$ 17,526</b>	<b>161,757</b>	<b>851,177</b>	<b>9,279,499</b>	<b>380,769</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,018	-	46,670	-	-
Salaries and benefits payable	-	-	3,700	-	-
Due to other governments	9,469	161,757	797,570	9,279,499	380,769
Trusts payable	7,039	-	-	-	-
Compensated absences	-	-	3,237	-	-
<b>Total liabilities</b>	<b>\$ 17,526</b>	<b>161,757</b>	<b>851,177</b>	<b>9,279,499</b>	<b>380,769</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
50,128	16,926	262,749	133,164	1,035,038
-	-	-	-	17,526
2,042	179	-	909	9,244
2,362,000	2,779,000	-	1,588,000	16,814,000
-	-	-	2,958	2,958
-	-	-	231,301	231,301
-	-	-	14,036	14,036
-	-	-	1,514	11,531
<u>2,414,170</u>	<u>2,796,105</u>	<u>262,749</u>	<u>1,971,882</u>	<u>18,135,634</u>
-	-	-	679	48,367
-	-	-	-	3,700
2,414,170	2,796,105	262,749	1,934,049	18,036,137
-	-	-	37,154	44,193
-	-	-	-	3,237
<u>2,414,170</u>	<u>2,796,105</u>	<u>262,749</u>	<u>1,971,882</u>	<u>18,135,634</u>

Guthrie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 30,400	182,247	758,127	9,376,121
Additions:				
Property and other county tax	-	158,417	413,333	9,140,187
State tax credits	-	6,726	13,247	346,885
Drivers license fees	-	-	-	-
Office fees and collections	319,429	-	105	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	155,797	-	-	-
Miscellaneous	-	-	685	-
Total additions	475,226	165,143	427,370	9,487,072
Deductions:				
Agency remittances:				
To other funds	183,709	-	-	-
To other governments	150,807	185,633	334,320	9,583,694
Trusts paid out	153,584	-	-	-
Total deductions	488,100	185,633	334,320	9,583,694
Balances end of year	\$ 17,526	161,757	851,177	9,279,499

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
357,061	2,313,393	2,755,918	275,233	1,774,338	17,822,838
375,378	2,291,113	2,704,504	-	1,588,330	16,671,262
13,231	104,039	31,876	-	53,852	569,856
-	-	-	2,259,184	-	2,259,184
-	-	-	-	4,118	323,652
-	-	-	1,058,217	-	1,058,217
-	-	-	-	131,399	131,399
-	-	-	-	283,890	439,687
-	-	-	-	90,803	91,488
388,609	2,395,152	2,736,380	3,317,401	2,152,392	21,544,745
-	-	-	120,659	-	304,368
364,901	2,294,375	2,696,193	3,209,226	1,954,848	20,773,997
-	-	-	-	-	153,584
364,901	2,294,375	2,696,193	3,329,885	1,954,848	21,231,949
380,769	2,414,170	2,796,105	262,749	1,971,882	18,135,634

Guthrie County

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

For the Last Ten Years

	2012	2011	2010	Modified 2009
<b>Revenues:</b>				
Property and other county tax	\$ 4,232,348	4,189,632	3,413,878	3,303,593
Local option sales tax	525,498	447,849	448,510	464,280
Interest and penalty on property tax	44,506	49,783	44,792	40,657
Intergovernmental	4,806,612	5,696,343	5,650,942	5,001,927
Licenses and permits	42,174	40,177	24,088	30,886
Charges for service	491,693	498,294	451,948	418,793
Use of money and property	114,732	113,871	167,834	247,883
Miscellaneous	632,565	653,706	517,411	473,736
<b>Total</b>	<b>\$ 10,890,128</b>	<b>11,689,655</b>	<b>10,719,403</b>	<b>9,981,755</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,050,787	1,043,756	1,074,377	1,061,471
Physical health and social services	1,151,263	1,127,994	1,135,273	1,083,768
Mental health	1,392,632	1,136,658	970,036	1,246,897
County environment and education	1,096,408	1,151,976	1,732,462	1,218,400
Roads and transportation	4,733,890	3,765,347	4,161,153	4,782,064
Governmental services to residents	337,121	331,458	384,677	373,087
Administration	855,899	966,037	1,269,162	959,656
Non-program	-	14,452	-	77,143
Debt service	480,893	444,997	434,994	361,960
Capital projects	251,293	823,209	547,778	648,233
<b>Total</b>	<b>\$ 11,350,186</b>	<b>10,805,884</b>	<b>11,709,912</b>	<b>11,812,679</b>

See accompanying independent auditor's report.

Accrual Basis					
2008	2007	2006	2005	2004	2003
3,381,781	3,195,545	3,666,932	3,139,953	3,183,278	2,023,158
446,866	606,514	656,937	621,876	125,280	-
36,273	36,024	45,264	48,267	47,257	36,371
5,395,127	4,321,738	4,846,202	4,750,377	4,506,027	4,103,546
42,774	34,663	33,363	31,344	33,060	27,877
437,255	454,336	446,516	422,087	645,368	579,604
423,562	402,778	257,413	242,701	190,087	171,266
563,734	519,389	411,562	450,952	199,279	232,735
<u>10,727,372</u>	<u>9,570,987</u>	<u>10,364,189</u>	<u>9,707,557</u>	<u>8,929,636</u>	<u>7,174,557</u>
969,016	943,937	864,607	805,764	813,388	858,199
1,101,428	1,047,736	928,032	962,820	972,204	1,037,535
1,275,031	1,280,659	1,153,323	1,221,325	1,188,315	1,155,757
1,508,011	1,111,342	932,812	1,058,489	894,099	838,822
4,024,581	3,330,808	3,423,614	4,675,573	2,959,480	3,035,064
346,458	388,895	471,004	360,388	313,206	308,926
915,903	907,689	733,635	742,589	697,703	873,597
12,300	-	-	940	10,164	-
393,805	365,204	340,512	292,864	304,272	106,220
183,543	58,503	461,125	586,389	514,861	1,042,239
<u>10,730,076</u>	<u>9,434,773</u>	<u>9,308,664</u>	<u>10,707,141</u>	<u>8,667,692</u>	<u>9,256,359</u>

**Guthrie County**





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

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Auditor of State

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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 Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 22, 2013. 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

The management of Guthrie County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Guthrie 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 Guthrie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guthrie 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, 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 the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

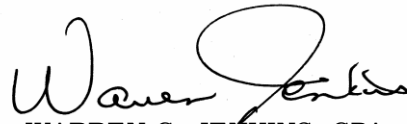
Guthrie County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Guthrie County's responses and, accordingly, we express no opinion on them.

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

January 22, 2013

Guthrie County

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

	<u>Applicable Offices</u>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Ag Extension, Recorder, Treasurer, Engineer, Transfer Station/Landfill
(2) An initial list of the checks and money received should be prepared by the person opening the mail. This list should be compared with the cash receipts records and the bank deposit by a person not preparing the list or involved in maintaining the accounting records.	Ag Extension, Recorder, Sheriff, Engineer, Transfer Station/ Landfill, Treasurer
(3) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. This reconciliation should be reviewed by an independent person and the review should be documented.	Ag Extension, Recorder, Sheriff, Treasurer
(4) Bank statements and checks are not delivered to the reconciler unopened.	Ag Extension
(5) Checks or warrants should be signed by an individual who does not approve disbursements, record cash receipts or prepare checks.	Recorder, Sheriff
(6) The responsibility of the change fund should be assigned to only one person.	Recorder, Treasurer
(7) The person responsible for the detailed record keeping of investments is also the custodian of the investments.	Treasurer
(8) Daily cash reconciliations for motor vehicle, tax and driver’s licenses are not reviewed and approved by an independent person for propriety.	Treasurer

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

Guthrie County

Schedule of Findings

Year ended June 30, 2012

Responses –

Ag Extension – Currently, when a deposit is made, the Office Coordinator prepares the deposit then has another staff member double check the receipts and re-add the deposit. Both staff members initial the receipt with the deposit amount and date. In the future, a receipt will be received from the bank once the deposit is made and two staff members will initial the receipt. The bank reconciliation will be brought to each monthly Council meeting and the Council Chair, or Council representative, will review the reconciliation and initial. Two staff members will open the bank statement when it arrives in the mail and both staff members will also initial it.

Recorder – We will try to do better with limited staff available.

Sheriff – We will try to better use employees to maximize segregation of duties.

Treasurer – Segregation of duties is very difficult with a limited number of employees; however, we are rotating balancing at nights between 3 of us. We have one person count the cash and a different person add up checks and balance everything to the reports. In addition, we will review the segregation of duties for bank reconciliations, the change fund and investments.

Engineer – The only cash or checks we usually receive are for oversized permits, used materials or materials for entrances and materials sold to other County departments. Copies of all oversized permits are retained so payment can be traced back to those. The Engineer or Maintenance Superintendent determine cost of used materials sold to individuals and the Office Manager collects the money and when scrap iron is sold, a receipt is received from the junkyard along with a check. Entrance permits are marked date paid and check number for cross reference.

Transfer Station/Landfill – Currently, the office person at the Transfer Station is the only employee in the office, so virtually all money coming in at the time of delivery of materials or as billed comes directly to her. She also makes out the deposits and brings the deposits to the courthouse. There is little that can be done about this situation with only one employee on site. It is not practical to have a second person to handle just the funds.

Conclusions – Responses acknowledged. For those offices with limited staff, other County personnel could be used to provide additional control through review of financial statements. Also, the reviews performed by an independent person should be evidenced by the signature or initials of the reviewer and the date of the review.

Guthrie County

Schedule of Findings

Year ended June 30, 2012

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables, prepaid expenses and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables, prepaid expenses and capital asset additions are identified and included in the County’s financial statements.

Responses –

Auditor – Some invoices are received after June 30<sup>th</sup>, thus cannot be paid in the correct year. The deputy auditor prints an accrual listing for the auditors.

Treasurer – I will work with the other offices to identify outstanding receipts and ensure those receipts are recorded in the proper year.

Conclusions – Responses accepted.

- (C) Capital Assets – A physical observation of capital assets was not performed during the year in accordance with the County’s policy.

Recommendation – Capital assets should be tested periodically by an employee having no responsibility for assets.

Response – Department heads/elected officials can be asked to review their departments capital asset listings for accuracy.

Conclusion – Response accepted.

- (D) Computer Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – After example plans are received, one will be started for the County.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Guthrie County

Schedule of Findings

Year ended June 30, 2012

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brandon Thompson, employee, Co-owner of Thompson and Son Electric	Plumbing	\$ 968
Todd Plowman, employee, Father is owner of Plowman & Stanley Trenching	Tiling	544
Amy Badger, employee, Spouse is owner of Badger Sanitation	Garbage pickup	1,211
Cheryl Jensen, employee, Spouse is owner of Jensen’s Sanitation	Garbage pickup	2,680
Jacki Sloss, employee, In-laws own Sloss Lawn Care	Mowing, per bid	8,265

The transactions with Jensen’s Sanitation may represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since total transactions exceeded \$1,500 and the transactions were not competitively bid.

The transactions with Sloss Lawn Care do not represent a conflict of interest in accordance with Chapter 331.342(2)(c) since they were competitively bid.

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

Recommendation – The County should be aware of the potential for a conflict of interest when dealing with its employees and relatives of employees. The County should consult legal counsel to determine disposition of this matter.

Response – The County will take the recommendation under advisement and look into any related party transactions. If legal counsel is needed we will contact the County Attorney’s Office.

Conclusion – Response accepted.

Guthrie County

Schedule of Findings

Year ended June 30, 2012

(5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to ensure the coverage remains adequate for current operations.

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, a list of claims paid, including reason for the claim, was not published when the minutes were published as required by Chapter 349.18 of the Code of Iowa.

Recommendation – Minutes should be published, including the reason for the claim, as required by Chapter 349.18 of the Code of Iowa.

Response – Payables are currently published on a monthly basis. The code section will be reviewed and a decision will be made.

Conclusion – Response accepted.

(7) 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.

(8) 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).

(9) 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, 2012 for the County Extension Office did not exceed the amount budgeted.

(10) Financial Condition – The County's Special Revenue, Mental Health Fund had a deficit fund balance of \$340,512 at June 30, 2012.

Recommendation – The County should explore alternatives to return this fund to a sound financial condition.

Response – For fiscal year 2012, the CPC recommended to the board the levy rate be set at .25 so the Mental Health Fund balance would decrease so the following year in fiscal year 2013 when the County levied 100%, the County would be eligible for state funding. Expenses were greater than anticipated by the CPC. Guthrie County requested 100% of the available levy for fiscal year 2013. The Mental Health system is going through a period of reform where counties are supposed to be regionalizing. As part of this regionalization process, there may be transition dollars available. Guthrie County plans to apply for these funds.

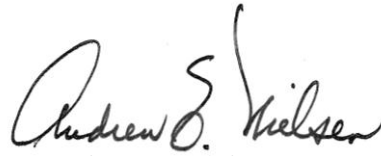
Conclusion – Response accepted.

Guthrie County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Jennifer L. Wall, CPA, Senior Auditor II  
Lacey D. Kriegel, Assistant Auditor  
Daniel J. Mikels, Assistant Auditor  
Matthew S. Nye, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State