



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 8, 2013

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

The County had local tax revenue of \$63,847,119 for the year ended June 30, 2012, which included \$1,662,673 in tax credits from the state. The County forwarded \$51,925,913 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,921,206 of the local tax revenue to finance County operations, an increase of 1.2% over the prior year. Other revenues included charges for service of \$3,938,198, operating grants, contributions and restricted interest of \$6,528,554, capital grants, contributions and restricted interest of \$1,036,064, unrestricted investment earnings of \$64,884, gain on disposition capital assets of \$603,363 and other general revenues of \$291,751.

Expenses for County operations totaled \$24,906,619 a 7.9% increase over the prior year. Expenses included \$6,874,027 for roads and transportation, \$4,827,761 for mental health and \$4,692,422 for public safety.

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/1210-0091-B00F.pdf>.

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WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-14
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		29-43
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
Schedule of Expenditures of Federal Awards	6	62-64
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>		65-66
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		69-70
Schedule of Findings and Questioned Costs		71-81
Staff		82

Warren County

Officials

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

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

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

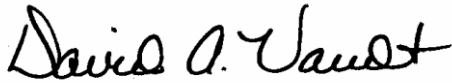
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

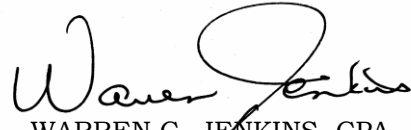
In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2013 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 14 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 Warren County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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

February 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Warren County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 6.6%, or approximately \$1,519,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$152,000, operating grants, contributions and restricted interest increased approximately \$334,000, capital grants, contributions and restricted interest decreased approximately \$360,000 and charges for service increased approximately \$759,000.
- Program expenses were 7.9%, or approximately \$1,818,000, more in fiscal year 2012 than in fiscal year 2011. Mental health and roads and transportation function expenses increased approximately \$929,000 and \$310,000, respectively. Physical health and social service function expenses decreased approximately \$164,000.
- The County's net assets decreased 1.2%, or approximately \$523,000, 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 Warren County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's combined net assets decreased 1.2% from a year ago, decreasing from approximately \$44.6 million to approximately \$44.1 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 22,556	20,822
Capital assets	37,741	37,698
Total assets	60,297	58,520
Long-term liabilities	1,571	1,211
Other liabilities	14,593	12,653
Total liabilities	16,164	13,864
Net assets:		
Invested in capital assets, net of related debt	37,702	37,698
Restricted	3,626	3,157
Unrestricted	2,805	3,801
Total net assets	\$ 44,133	44,656

Net assets of Warren County's governmental activities decreased approximately \$523,000 (approximately \$44.1 million compared to approximately \$44.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

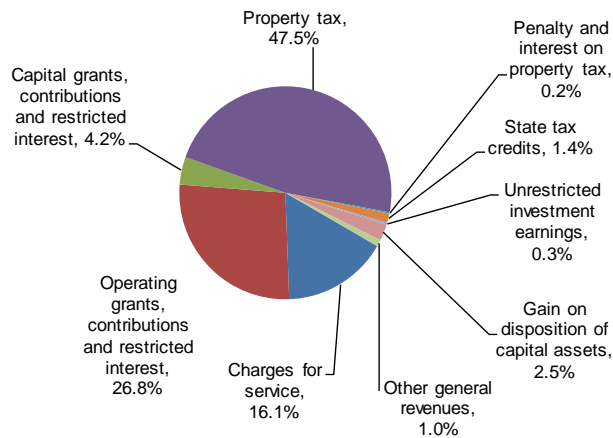
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset category increased approximately \$469,000, or 14.9%, over the prior year. The increase is primarily due to an increase in amounts restricted for secondary road purposes.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$3.8 million at June 30, 2011 to approximately \$2.8 million at the end of this year, a decrease of 26.2%. This decrease of approximately \$996,000 was primarily due to a \$1.5 million unassigned deficit in the Special Revenue, Mental Health Fund at June 30, 2012.

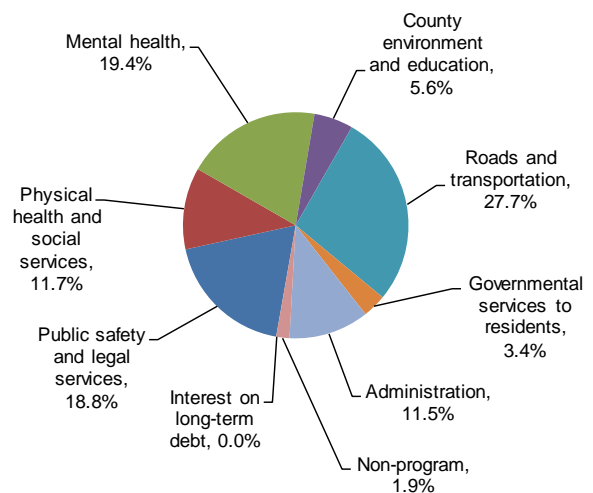
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 3,938	3,179
Operating grants, contributions and restricted interest	6,529	6,195
Capital grants, contributions and restricted interest	1,036	1,396
General revenues:		
Property tax	11,576	11,424
Penalty and interest on property tax	56	45
State tax credits	346	356
Unrestricted investment earnings	65	72
Gain on disposition of capital assets	603	165
Other general revenues	235	33
Total revenues	24,384	22,865
Program expenses:		
Public safety and legal services	4,692	4,325
Physical health and social services	2,908	3,072
Mental health	4,828	3,899
County environment and education	1,401	1,240
Roads and transportation	6,874	6,564
Governmental services to residents	858	772
Administration	2,869	2,827
Non-program	469	379
Interest on long-term debt	8	11
Total expenses	24,907	23,089
Increase in net assets	(523)	(224)
Net assets beginning of year	44,656	44,880
Net assets end of year	\$ 44,133	44,656

Revenues by Source



Expenses by Program



Warren County's net assets of governmental activities decreased approximately \$523,000 during the year. Revenues for governmental activities increased approximately \$1,519,000 over the prior year, with property tax revenue up from the prior year approximately \$152,000. Operating grants, contributions and restricted interest increased approximately \$334,000, or 5.4%. Capital grants, contributions and restricted interest decreased approximately \$360,000, or 25.7%. The decrease in capital grants, contributions and restricted interest is primarily due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation.

The County decreased property tax rates for fiscal year 2012 an average of 3.3%. However, due to an increase in assessed valuations of approximately \$69 million, or 4.5%, property tax revenue increased approximately \$152,000.

The cost of all governmental activities this year was approximately \$25 million compared to approximately \$23.1 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$13.4 million because some of the cost was paid by those directly benefited from the programs (\$3.9 million) or by other governments and organizations which subsidized certain programs with grants and contributions (\$7.6 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from approximately \$10.8 million in fiscal year 2011 to approximately \$11.5 million in fiscal year 2012, principally due to an increase in operating grants for mental health services offset by a decrease in capital grants and contributions for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$12.9 million in taxes and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of approximately \$7.4 million, a decrease of approximately \$411,000 below last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased approximately \$572,000 over the prior year to approximately \$5,147,000. General Fund revenues increased approximately \$852,000 over the prior year, due principally to insurance recoveries of \$583,469 for the loss of a County building to fire. Expenditures increased approximately \$194,000, or 1.6%, over the prior year.
- The Special Revenue, Mental Health Fund balance at year end decreased approximately \$1,822,000 from the prior year. Mental Health Fund revenues increased approximately \$407,000 over the prior year due to an increase in case management services. This increase was offset by an increase in expenditures for fiscal year 2012 of approximately \$896,000, or 22.9%. This increase was due to an increase in case managers and an increase in services provided to consumers.
- The Special Revenue, Rural Services Fund revenues increased approximately \$30,000 over the prior year due to an increase in property tax revenue. Expenditures increased approximately \$42,000 over the prior year. These changes resulted in a decrease in the Rural Services Fund balance of approximately \$48,000, or 8.0%.
- The Special Revenue, Secondary Roads Fund revenues decreased approximately \$54,000, or 1.2%, from the prior year. Secondary Roads Fund expenditures increased approximately \$555,000 over the prior year, due principally to construction costs associated with bridge projects and the purchase of equipment. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$868,000, or 44.3%. The Secondary Roads Fund balance in previous years had been depleted due to spring floods and severe winters. For the fiscal years ended June 30, 2011 and June 30, 2012, the fund balances have increased due to milder weather conditions.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget one time. The amendment was made on April 24, 2012. This amendment resulted in an increase in budgeted disbursements related to bridge construction and final FEMA payments. The amendment also included an increase in County environment and education disbursements due to a trail bridge project.

The County's receipts were \$5,249 less than budgeted, a variance of less than one percent.

Total disbursements were \$1,781,534 less than the amended budget. Actual disbursements for the roads and transportation, capital projects, physical health and social services and mental health functions were \$612,500, \$334,885, \$325,350 and \$274,705, respectively, less than budgeted. Roads and transportation function disbursements were less than budgeted due to the County not filling the County Engineer position for the majority of the fiscal year, a mild winter reduced snow and ice removal and planned engineering design work was not completed. Capital projects function disbursements were less than budgeted primarily due to a FEMA bridge project not being completed during the fiscal year. Physical health and social services function disbursements were less than budgeted, primarily due to grants not being utilized for the allowed amount. Mental health function disbursements were less than budgeted due to the County holding the state institution bills because of the mental health redesign and lack of planned funding from the State of Iowa.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Warren County had approximately \$37.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$43,000, or less than 1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,759	1,720
Intangibles	97	97
Buildings and improvements	5,859	5,996
Equipment and vehicles	2,227	2,622
Infrastructure	27,799	27,263
Total	\$ 37,741	37,698
This year's major additions included (in thousands):		
Roads		\$ 1,496
Trail bridge		196
Secondary roads and other equipment		296
Total		\$ 1,988

The County had depreciation expense of \$1,874,939 in fiscal year 2012 and total accumulated depreciation of \$23,637,210 at June 30, 2012.

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

Long-Term Debt

At June 30, 2012, Warren County had \$211,824 of general obligation notes and other long-term debt outstanding compared to \$197,455 at June 30, 2010, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2012	2011
General obligation notes	\$ 172,574	190,835
Capital lease purchase agreements	39,250	6,620
Total	\$ 211,824	197,455

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$149 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 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 4.8% versus 5.4% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 8.2%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 1.4% for fiscal year 2012 compared with the national rate of 1.7%. After the end of fiscal year 2012, the Consumer Price Index remained unchanged due to a decrease in gasoline costs coupled with an increase in food and shelter costs. As of December 2012, the Midwest Region of the Department of Labor CPI was 1.8% compared with the national rate of 1.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$25 million, an increase of \$1,892,000 over the final fiscal year 2012 budget. Increase in property tax valuations, state aid for mental health services and reimbursements for engineering services are expected to be the source of this increase. Budgeted disbursements are expected to decrease approximately \$326,000 from the final fiscal year 2012 budget. Warren County reduced budgeted capital projects and county environment and education function disbursements because the secondary roads projects, courthouse building renovations, conservation trail and FEMA projects were substantially completed. The County has increased mental health function disbursements due to an increase in clients served and service provider costs. The County also increased roads and transportation function disbursements for additional rock on secondary roads, engineering services and equipment purchases. The County also considered the effect inflation and consumer demands for services have on program costs.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$971,000, or 14.2%, by the close of fiscal year 2013. The Special Revenue, Mental Health and Secondary Roads Funds balances are budgeted to increase \$537,000 and \$370,000, respectively, by the end of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Warren County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Warren County Auditor's Office, 301 N Buxton Street, Suite 101, Indianola, Iowa 50125.

Basic Financial Statements

Exhibit A

Warren County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 8,608,325
Receivables:	
Property tax:	
Delinquent	24,714
Succeeding year	11,947,000
Interest and penalty on property tax	61,041
Accounts	75,020
Accrued interest	20,811
Due from other governments	1,452,033
Inventories	297,326
Prepaid insurance	69,707
Capital assets (net of accumulated depreciation)	<u>37,741,210</u>
Total assets	<u>60,297,187</u>
Liabilities	
Accounts payable	367,966
Accrued interest payable	5,572
Salaries and benefits payable	178,754
Due to other governments	2,093,731
Deferred revenue:	
Succeeding year property tax	11,947,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	18,638
Capital lease purchase agreement	19,625
Compensated absences	411,739
Portion due or payable after one year:	
General obligation notes	153,936
Capital lease purchase agreement	19,625
Compensated absences	389,242
Net OPEB liability	<u>558,000</u>
Total liabilities	<u>16,163,828</u>
Net Assets	
Invested in capital assets, net of related debt	37,701,960
Restricted for:	
Rural services purposes	529,405
Secondary roads purposes	2,703,887
Other purposes	393,229
Unrestricted	<u>2,804,878</u>
Total net assets	<u>\$ 44,133,359</u>

See notes to financial statements.

Warren 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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,692,422	448,890	358,853	-	(3,884,679)
Physical health and social services	2,907,640	695,777	1,011,239	-	(1,200,624)
Mental health	4,827,761	813,919	1,076,022	-	(2,937,820)
County environment and education	1,400,821	98,043	130,719	107,271	(1,064,788)
Roads and transportation	6,874,027	419,066	3,951,303	928,793	(1,574,865)
Governmental services to residents	857,826	843,962	357	-	(13,507)
Administration	2,869,515	166,651	-	-	(2,702,864)
Non-program	468,737	451,890	61	-	(16,786)
Interest on long-term debt	7,870	-	-	-	(7,870)
Total	\$ 24,906,619	3,938,198	6,528,554	1,036,064	(13,403,803)
General Revenues:					
Property and other county tax levied for general purposes					11,575,678
Penalty and interest on property tax					56,334
State tax credits					345,528
Unrestricted investment earnings					64,884
Gain on disposition of capital assets					603,363
Miscellaneous					235,417
Total general revenues					12,881,204
Change in net assets					(522,599)
Net assets beginning of year					44,655,958
Net assets end of year					\$ 44,133,359

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2012

	General	Mental Health
Assets		
Cash, pooled investments and cash equivalents	\$ 5,039,603	434,824
Receivables:		
Property tax:		
Delinquent	15,571	2,022
Succeeding year	8,319,000	1,017,000
Interest and penalty on property tax	61,041	-
Accounts	62,081	1,068
Accrued interest	20,811	-
Due from other funds	12,156	-
Due from other governments	459,501	168,181
Inventories	-	-
Prepaid insurance	69,707	-
Total assets	\$ 14,059,471	1,623,095
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 203,718	83,385
Salaries and benefits payable	123,107	12,072
Due to other funds	17,660	11,236
Due to other governments	90,727	1,982,690
Deferred revenue:		
Succeeding year property tax	8,319,000	1,017,000
Other	158,654	1,689
Total liabilities	8,912,866	3,108,072
Fund balances:		
Nonspendable:		
Inventories	-	-
Prepaid insurance	69,707	-
Restricted for:		
Rural services purposes	-	-
Secondary roads purposes	-	-
Other purposes	-	-
Assigned for:		
Future jail expansion	654,857	-
Building reserve	620,167	-
Unassigned	3,801,874	(1,484,977)
Total fund balances	5,146,605	(1,484,977)
Total liabilities and fund balances	\$ 14,059,471	1,623,095

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
602,943	2,112,579	393,008	8,582,957
7,121	-	-	24,714
2,611,000	-	-	11,947,000
-	-	-	61,041
-	4,907	-	68,056
-	-	-	20,811
-	30,389	548	43,093
-	781,805	-	1,409,487
-	245,505	-	245,505
-	-	-	69,707
3,221,064	3,175,185	393,556	22,472,371
18,332	41,846	260	347,541
8,253	35,255	67	178,754
22,812	18,912	-	70,620
-	20,289	-	2,093,706
2,611,000	-	-	11,947,000
5,454	233,472	-	399,269
2,665,851	349,774	327	15,036,890
-	245,505	-	245,505
-	-	-	69,707
555,213	-	-	555,213
-	2,579,906	-	2,579,906
-	-	393,229	393,229
-	-	-	654,857
-	-	-	620,167
-	-	-	2,316,897
555,213	2,825,411	393,229	7,435,481
3,221,064	3,175,185	393,556	22,472,371

Warren County

Warren County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 7,435,481

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$61,286,087 and the accumulated depreciation is \$23,591,532. 37,694,555

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 399,269

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

Capital assets of \$92,333, less accumulated depreciation of \$45,678	\$ 46,655	
Other net assets	<u>133,776</u>	180,431

Long-term liabilities, including general obligation notes payable, capital lease purchase agreement payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,576,377)

Net assets of governmental activities (page 16) \$ 44,133,359

See notes to financial statements.

Warren County

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

Year ended June 30, 2012

	General	Mental Health
Revenues:		
Property and other county tax	\$ 8,018,139	1,041,058
Interest and penalty on property tax	134,118	-
Intergovernmental	2,301,156	1,912,507
Licenses and permits	22,670	-
Charges for service	1,128,015	-
Use of money and property	73,541	-
Miscellaneous	609,017	26,848
Total revenues	<u>12,286,656</u>	<u>2,980,413</u>
Expenditures:		
Operating:		
Public safety and legal services	4,560,745	-
Physical health and social services	2,836,202	-
Mental health	-	4,802,080
County environment and education	1,109,909	-
Roads and transportation	-	-
Governmental services to residents	819,964	-
Administration	2,594,163	-
Non-program	-	-
Debt service	25,905	-
Capital projects	282,081	-
Total expenditures	<u>12,228,969</u>	<u>4,802,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,687</u>	<u>(1,821,667)</u>
Other financing sources (uses):		
Sale of capital assets	73,598	-
Insurance recoveries	583,469	-
Capital lease purchase agreement	39,250	-
Operating transfers in	-	-
Operating transfers out	(182,000)	-
Total other financing sources (uses)	<u>514,317</u>	<u>-</u>
Net change in fund balances	572,004	(1,821,667)
Fund balances beginning of year	<u>4,574,601</u>	<u>336,690</u>
Fund balances end of year	<u>\$ 5,146,605</u>	<u>(1,484,977)</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,523,736	-	-	11,582,933
-	-	-	134,118
78,731	3,984,965	17,712	8,295,071
20,330	6,065	-	49,065
3,750	-	22,479	1,154,244
-	1,440	547	75,528
463	384,270	117,022	1,137,620
2,627,010	4,376,740	157,760	22,428,579
-	-	13,116	4,573,861
-	-	-	2,836,202
-	-	-	4,802,080
279,815	-	78,055	1,467,779
391,738	4,790,317	-	5,182,055
3,488	-	3,124	826,576
-	-	-	2,594,163
-	-	17,828	17,828
-	-	-	25,905
15	900,495	26,603	1,209,194
675,056	5,690,812	138,726	23,535,643
1,951,954	(1,314,072)	19,034	(1,107,064)
-	-	-	73,598
-	-	-	583,469
-	-	-	39,250
-	2,182,000	-	2,182,000
(2,000,000)	-	-	(2,182,000)
(2,000,000)	2,182,000	-	696,317
(48,046)	867,928	19,034	(410,747)
603,259	1,957,483	374,195	7,846,228
555,213	2,825,411	393,229	7,435,481

Warren County

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

Year ended June 30, 2012

Net change in fund balances - Total governmental funds (page 23) \$(410,747)

**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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 698,232	
Capital assets contributed by the Iowa Department of Transportation	690,121	
Depreciation expense	<u>(1,867,144)</u>	(478,791)

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. 529,765

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	(7,255)	
Other	<u>192,371</u>	185,116

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. 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	(39,250)	
Repaid	<u>24,881</u>	(14,369)

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	(159,302)	
Other postemployment benefits	(186,000)	
Interest on long-term debt	<u>(226)</u>	(345,528)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual funds and other entities. The change in net assets of the Internal Service Fund is reported with governmental activities. 11,955

Change in net assets of governmental activities (page 17) \$(522,599)

See notes to financial statements.

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

	Internal Service - Fuel Station
Assets	
Cash and cash equivalents	\$ 25,368
Accounts receivable	6,964
Due from other funds	27,602
Due from other governments	42,546
Inventories	51,821
Capital assets, net of accumulated depreciation of \$45,678	46,655
Total assets	200,956
Liabilities	
Accounts payable	20,425
Due to other funds	75
Due to other governments	25
Total liabilities	20,525
Net Assets	
Invested in capital assets	46,655
Unrestricted	133,776
Total net assets	\$ 180,431

See notes to financial statements.

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

Year ended June 30, 2012

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 420,140
Reimbursements from other governments		451,365
Fuel and other tax refunds		<u>24,950</u>
Total operating revenues		896,455
Operating expenses:		
Fuel	\$ 840,743	
State fuel and other taxes	27,780	
Clerical	15	
Utilities	760	
Insurance	1,235	
Repairs	6,042	
Tank fees	130	
Depreciation	<u>7,795</u>	<u>884,500</u>
Operating income		11,955
Net assets beginning of year		<u>168,476</u>
Net assets end of year		<u>\$ 180,431</u>

See notes to financial statements.

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

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 427,486
Cash received from other governments	462,311
Cash received from other sources	24,950
Cash paid to suppliers	(853,552)
Net cash provided by operating activities	61,195
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	(35,827)
Net change in cash and cash equivalents	25,368
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ 25,368
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,955
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,795
Increase in accounts receivable	9,748
Increase in due from other funds	7,346
Increase in due from other governments	1,265
Increase in inventories	2,690
Decrease in accounts payable	20,425
Increase in due to other funds	38
Decrease in due to other governments	(67)
Net cash provided by operating activities	\$ 61,195

See notes to financial statements.

Warren County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash, pooled investments and cash equivalents:	
County Treasurer	\$ 2,203,005
Other County officials	104,351
Receivables:	
Property tax:	
Delinquent	81,024
Succeeding year	49,027,000
Accounts	41,028
Special assessments	2,496,000
Due from other governments	81,028
Total assets	<u>54,033,436</u>

Liabilities

Accounts payable	5,045
Salaries and benefits payable	8,466
Due to other governments	53,790,733
Trusts payable	195,580
Compensated absences	33,612
Total liabilities	<u>54,033,436</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for 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 roads construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	100,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25-50
Land improvements	10-50
Infrastructure	10-65
Intangibles	5-20
Equipment	3-20
Vehicles	5-15

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$119,907 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 11,236
	Rural Services	177
	Secondary Roads	668
	Internal Service:	
	Fuel Station	75
Special Revenue:		
Secondary Roads	General	7,803
	Special Revenue:	
	Rural Services	22,586
County Recorder's Records Management	General	267
Resource Enhancement and Protection	General	220
Lacona Meal Site	General	61
Internal Service:		
Fuel Station	General	9,309
	Special Revenue:	
	Rural Services	49
	Secondary Roads	18,244
Total		<u>\$ 70,695</u>

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

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 182,000
	Special Revenue:	
	Rural Services	<u>2,000,000</u>
Total		<u>\$ 2,182,000</u>

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

(5) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,720,289	38,603	-	1,758,892
Construction in progress	1,070,432	1,300,487	1,829,025	541,894
Intangibles	97,211	-	-	97,211
Total capital assets not being depreciated	<u>2,887,932</u>	<u>1,339,090</u>	<u>1,829,025</u>	<u>2,397,997</u>
Capital assets being depreciated:				
Buildings	8,681,925	157,420	269,455	8,569,890
Improvements other than buildings	703,050	100,000	-	803,050
Equipment and vehicles	7,264,422	295,657	418,230	7,141,849
Equipment, internal service	92,333	-	-	92,333
Infrastructure, road network	39,071,090	1,729,025	-	40,800,115
Infrastructure, other	1,377,031	196,155	-	1,573,186
Total capital assets being depreciated	<u>57,189,851</u>	<u>2,478,257</u>	<u>687,685</u>	<u>58,980,423</u>
Less accumulated depreciation for:				
Buildings	3,377,680	273,486	220,437	3,430,729
Improvements other than buildings	61,136	22,471	-	83,607
Equipment and vehicles	4,696,694	662,254	397,044	4,961,904
Equipment, internal service	37,883	7,795	-	45,678
Infrastructure, road network	13,747,348	858,128	-	14,605,476
Infrastructure, other	459,011	50,805	-	509,816
Total accumulated depreciation	<u>22,379,752</u>	<u>1,874,939</u>	<u>617,481</u>	<u>23,637,210</u>
Total capital assets being depreciated, net	<u>34,810,099</u>	<u>603,318</u>	<u>70,204</u>	<u>35,343,213</u>
Governmental activities capital assets, net	<u>\$ 37,698,031</u>	<u>1,942,408</u>	<u>1,899,229</u>	<u>37,741,210</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 90,615
Physical health and social services	10,476
County environment and education	136,209
Roads and transportation	1,381,168
Governmental services to residents	1,434
Administration	<u>247,242</u>
Total depreciation expense - governmental activities, excluding the Internal Service Fund	<u>\$ 1,867,144</u>
Depreciation expense charged to the Internal Service Fund	<u>\$ 7,795</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 90,727
Special Revenue:		
Mental Health	Services	1,982,690
Secondary Roads	Services	20,289
		<u>2,002,979</u>
Total for governmental funds		<u>\$ 2,093,706</u>
Agency:		
County Assessor	Collections	\$ 837,110
Schools		32,645,179
Community Colleges		962,629
Corporations		14,473,508
Townships		571,116
Auto License and Use Tax		1,011,494
All other		3,289,697
Total for agency funds		<u>\$ 53,790,733</u>

(7) Long-Term Liabilities

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

	General Obligation Notes	Capital Lease Purchase Agreements	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 190,835	6,620	641,679	372,000	1,211,134
Increases	-	39,250	836,976	206,746	1,082,972
Decreases	18,261	6,620	677,674	20,746	723,301
Balance end of year	<u>\$ 172,574</u>	<u>39,250</u>	<u>800,981</u>	<u>558,000</u>	<u>1,570,805</u>
Due within one year	\$ 18,638	19,625	411,739	-	450,002

General Obligation Notes

A summary of the County's June 30, 2012 general obligation note indebtedness is as follows:

Year Ending June 30,	Issued November 5, 2009			
	Interest Rates	Principal	Interest	Total
2013	4.125 - 4.25%	\$ 18,638	7,267	25,905
2014	4.125 - 4.25	19,421	6,484	25,905
2015	4.125 - 4.25	20,237	5,668	25,905
2016	4.125 - 4.25	21,087	4,818	25,905
2017	4.125 - 4.25	21,973	3,932	25,905
2018- 2020	4.125 - 4.25	71,218	6,099	77,317
Total		<u>\$ 172,574</u>	<u>34,268</u>	<u>206,842</u>

During the year ended June 30, 2012, the County retired \$18,261 of general obligation notes.

Capital Lease Purchase Agreements

During the year ended June 30, 2012, the County entered into a capital lease purchase agreement for a mower for the Conservation Department for \$39,250. The following is a schedule of the future minimum lease payments, including interest at 4.0% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2012:

Year Ending June 30,	Amount
2013	\$ 20,439
2014	20,411
Total minimum lease payments	<u>40,850</u>
Less amount representing interest	<u>(1,600)</u>
Present value of net minimum lease payments	<u>\$ 39,250</u>

Payments under the capital lease purchase agreement outstanding at June 30, 2011 totaled \$6,783 for the year ended June 30, 2012. The agreement has been paid in full.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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 \$692,852, \$589,471 and \$540,284, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 174 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

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

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

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

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

Annual required contribution	\$ 207,067
Interest on net OPEB obligation	14,880
Adjustment to annual required contribution	<u>(15,201)</u>
Annual OPEB cost	206,746
Contributions made	<u>(20,746)</u>
Increase in net OPEB obligation	186,000
Net OPEB obligation beginning of year	<u>372,000</u>
Net OPEB obligation end of year	<u>\$ 558,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$20,746 to the medical plan. Plan members eligible for benefits contributed \$37,772, or 65% of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 166,432	29.8%	\$ 253,008
2011	166,392	28.5	372,000
2012	206,746	10.0	558,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was approximately \$1,471,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,471,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,908,000 and the ratio of the UAAL to covered payroll was 18.6%. 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, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 10%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, Fully Generational Using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$942 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 \$189,239.

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 \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Joint Vehicle Fueling Facility

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

Warren County

Required Supplementary Information

Warren County

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

Required Supplementary Information

Year ended June 30, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,578,816	-	11,578,816
Interest and penalty on property tax	131,274	-	131,274
Intergovernmental	8,444,106	-	8,444,106
Licenses and permits	48,625	-	48,625
Charges for service	1,159,508	-	1,159,508
Use of money and property	64,792	-	64,792
Miscellaneous	1,738,846	87,746	1,651,100
Total receipts	<u>23,165,967</u>	<u>87,746</u>	<u>23,078,221</u>
Disbursements:			
Public safety and legal services	4,663,256	-	4,663,256
Physical health and social services	3,032,794	-	3,032,794
Mental health	3,589,951	-	3,589,951
County environment and education	1,509,803	68,071	1,441,732
Roads and transportation	5,189,826	-	5,189,826
Governmental services to residents	816,171	-	816,171
Administration	2,608,709	-	2,608,709
Nonprogram	17,828	-	17,828
Debt service	25,905	-	25,905
Capital projects	1,169,343	-	1,169,343
Total disbursements	<u>22,623,586</u>	<u>68,071</u>	<u>22,555,515</u>
Excess (deficiency) of receipts over (under) disbursements	542,381	19,675	522,706
Other financing sources, net	120,647	-	120,647
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	663,028	19,675	643,353
Balance beginning of year	7,919,929	97,494	7,822,435
Balance end of year	<u>\$ 8,582,957</u>	<u>117,169</u>	<u>8,465,788</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
11,572,731	11,572,731	6,085
144,400	144,400	(13,126)
7,998,288	8,524,039	(79,933)
58,800	58,800	(10,175)
1,213,757	1,213,757	(54,249)
101,325	101,325	(36,533)
439,780	1,468,418	182,682
21,529,081	23,083,470	(5,249)
4,239,270	4,672,970	9,714
3,300,232	3,358,144	325,350
3,550,656	3,864,656	274,705
1,182,629	1,524,907	83,175
5,802,326	5,802,326	612,500
823,776	855,926	39,755
2,579,095	2,710,087	101,378
17,900	17,900	72
25,905	25,905	-
824,694	1,504,228	334,885
22,346,483	24,337,049	1,781,534
(817,402)	(1,253,579)	1,776,285
31,000	120,333	314
(786,402)	(1,133,246)	1,776,599
6,768,892	7,772,250	50,185
5,982,490	6,639,004	1,826,784

Warren 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	\$ 23,165,967	(153,919)	23,012,048
Expenditures	22,623,586	912,057	23,535,643
Net	542,381	(1,065,976)	(523,595)
Other financing sources, net	120,647	(7,799)	112,848
Beginning fund balances	7,919,929	(73,701)	7,846,228
Ending fund balances	\$ 8,582,957	(1,147,476)	7,435,481

See accompanying independent auditor's report.

Warren 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 the blended component unit and the Internal Service and Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,990,556. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, the County's disbursements did not exceed the amounts budgeted by function.

Disbursements for Emergency Management Services exceeded the budget for the year ended June 30, 2012.

Warren County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 1,227	1,227	0.00%	\$ 7,138	17.2%
2011	Jul 1, 2008	-	1,227	1,227	0.00	7,493	16.4
2012	Jul 1, 2011	-	1,471	1,471	0.00	7,908	18.6

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

See accompanying independent auditor's report.

Supplementary Information

Warren County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Assets				
Cash, pooled investments and cash equivalents	\$ 86,293	53,041	383	6,250
Due from other funds	267	220	-	-
Total assets	\$ 86,560	53,261	383	6,250
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted for other purposes:	86,560	53,261	383	6,250
Total liabilities and fund equity	\$ 86,560	53,261	383	6,250

See accompanying independent auditor's report.

Special Revenue					
Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Liberty Center	Capital Projects	Total
98,383	17,681	117,169	9,815	3,993	393,008
-	61	-	-	-	548
98,383	17,742	117,169	9,815	3,993	393,556
-	-	-	260	-	260
-	-	-	67	-	67
-	-	-	327	-	327
98,383	17,742	117,169	9,488	3,993	393,229
98,383	17,742	117,169	9,815	3,993	393,556

Warren County

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

Year ended June 30, 2012

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Revenues:				
Intergovernmental	\$ -	17,712	-	-
Charges for service	9,998	-	-	-
Use of money and property	267	219	-	-
Miscellaneous	-	-	-	-
Total revenues	10,265	17,931	-	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Governmental services to residents	3,124	-	-	-
Non-program	-	-	-	-
Capital projects	-	26,603	-	-
Total expenditures	3,124	26,603	-	-
Excess (deficiency) of revenues over (under) expenditures	7,141	(8,672)	-	-
Fund balances beginning of year	79,419	61,933	383	6,250
Fund balances end of year	\$ 86,560	53,261	383	6,250

See accompanying independent auditor's report.

Special Revenue					
Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Liberty Center	Capital Projects	Total
-	-	-	-	-	17,712
-	-	-	12,481	-	22,479
-	61	-	-	-	547
29,276	-	87,746	-	-	117,022
29,276	61	87,746	12,481	-	157,760
13,116	-	-	-	-	13,116
-	-	68,071	9,984	-	78,055
-	-	-	-	-	3,124
-	17,828	-	-	-	17,828
-	-	-	-	-	26,603
13,116	17,828	68,071	9,984	-	138,726
16,160	(17,767)	19,675	2,497	-	19,034
82,223	35,509	97,494	6,991	3,993	374,195
98,383	17,742	117,169	9,488	3,993	393,229

Warren County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, pooled investments and cash equivalents:				
County Treasurer	\$ -	985	253,282	331,607
Other County officials	104,351	-	-	-
Receivables:				
Property tax:				
Delinquent	-	180	973	61,572
Succeeding year	-	85,000	614,000	32,252,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 104,351	86,165	868,255	32,645,179
Liabilities				
Accounts payable	\$ -	-	1,403	-
Salaries and benefits payable	-	-	5,339	-
Due to other governments	42,649	86,165	837,110	32,645,179
Trusts payable	61,702	-	-	-
Compensated absences	-	-	24,403	-
Total liabilities	\$ 104,351	86,165	868,255	32,645,179

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
9,834	125,497	6,681	1,011,494	463,625	2,203,005
-	-	-	-	-	104,351
1,795	15,011	1,435	-	58	81,024
951,000	14,333,000	563,000	-	229,000	49,027,000
-	-	-	-	41,028	41,028
-	-	-	-	2,496,000	2,496,000
-	-	-	-	81,028	81,028
962,629	14,473,508	571,116	1,011,494	3,310,739	54,033,436
-	-	-	-	3,642	5,045
-	-	-	-	3,127	8,466
962,629	14,473,508	571,116	1,011,494	3,160,883	53,790,733
-	-	-	-	133,878	195,580
-	-	-	-	9,209	33,612
962,629	14,473,508	571,116	1,011,494	3,310,739	54,033,436

Warren 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
Assets and Liabilities				
Balances beginning of year	\$ 121,090	90,097	749,517	31,193,464
Additions:				
Property and other county tax	-	88,521	630,835	33,304,473
E911 surcharge	-	-	-	-
State tax credits	-	2,727	14,756	920,376
Drivers license fees	-	-	-	-
Office fees and collections	867,231	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	582,703	-	-	-
Miscellaneous	-	-	5,486	-
Total additions	1,449,934	91,248	651,077	34,224,849
Deductions:				
Agency remittances:				
To other funds	533,239	-	-	-
To other governments	330,147	95,180	532,339	32,773,134
Trusts paid out	603,287	-	-	-
Total deductions	1,466,673	95,180	532,339	32,773,134
Balances end of year	\$ 104,351	86,165	868,255	32,645,179

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
902,939	14,256,916	527,562	1,034,035	3,899,517	52,775,137
981,793	14,782,760	582,515	-	237,871	50,608,768
-	-	-	-	221,532	221,532
27,215	328,046	16,675	-	7,350	1,317,145
-	-	-	81,676	-	81,676
-	-	-	-	-	867,231
-	-	-	12,466,750	-	12,466,750
-	-	-	-	71,730	71,730
-	-	-	-	660,622	1,243,325
-	1,150	-	-	330,941	337,577
1,009,008	15,111,956	599,190	12,548,426	1,530,046	67,215,734
-	-	-	474,771	-	1,008,010
949,318	14,895,364	555,636	12,096,196	1,485,632	63,712,946
-	-	-	-	633,192	1,236,479
949,318	14,895,364	555,636	12,570,967	2,118,824	65,957,435
962,629	14,473,508	571,116	1,011,494	3,310,739	54,033,436

Warren County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 11,582,933	11,434,820	11,441,171	11,453,420
Interest and penalty on property tax	134,118	131,188	149,108	142,432
Intergovernmental	8,295,071	8,259,026	10,424,897	9,863,840
Licenses and permits	49,065	50,799	45,255	53,085
Charges for service	1,154,244	1,106,315	1,067,973	1,088,935
Use of money and property	75,528	83,556	90,910	138,804
Miscellaneous	1,137,620	685,458	594,686	528,665
Total	<u>\$ 22,428,579</u>	<u>21,751,162</u>	<u>23,814,000</u>	<u>23,269,181</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,573,861	4,294,861	4,004,824	3,989,306
Physical health and social services	2,836,202	3,042,371	2,652,571	2,494,732
Mental health	4,802,080	3,906,062	2,895,774	2,756,204
County environment and education	1,467,779	1,116,563	1,119,994	1,183,451
Roads and transportation	5,182,055	5,473,688	5,861,559	5,577,710
Governmental services to residents	826,576	772,331	749,897	767,527
Administration	2,594,163	2,478,993	2,406,804	2,595,841
Non-program	17,828	281	175	6,131
Debt service	25,905	25,905	443,520	516,944
Capital projects	1,209,194	682,129	2,579,032	1,613,199
Total	<u>\$ 23,535,643</u>	<u>21,793,184</u>	<u>22,714,150</u>	<u>21,501,045</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
10,856,199	10,012,217	9,039,256	8,744,970	7,622,726	7,349,911
150,009	134,630	129,981	118,383	116,564	108,385
7,226,199	7,991,557	7,112,383	6,127,442	6,520,945	6,613,117
56,375	72,145	88,350	103,448	89,430	82,103
1,117,378	1,053,691	1,137,039	1,030,308	1,059,635	1,016,699
364,291	448,356	285,375	154,853	113,016	166,901
469,577	409,063	502,144	633,937	521,659	535,449
<u>20,240,028</u>	<u>20,121,659</u>	<u>18,294,528</u>	<u>16,913,341</u>	<u>16,043,975</u>	<u>15,872,565</u>
3,948,411	3,728,866	3,674,865	3,988,525	3,198,521	3,096,633
2,421,017	2,377,752	2,054,666	1,792,350	1,745,733	1,638,876
2,951,364	2,743,476	2,713,918	2,634,837	2,275,267	2,338,950
959,022	935,270	804,023	841,841	703,017	637,735
5,905,350	5,270,656	4,925,412	4,759,210	4,522,201	4,434,541
644,439	618,230	897,476	575,169	514,115	504,071
2,252,355	2,149,060	2,049,422	1,866,473	1,759,019	1,699,790
12,804	3,289	-	80,000	-	-
554,828	658,125	765,977	496,495	437,248	519,787
643,925	883,407	479,805	1,057,685	1,418,113	965,699
<u>20,293,515</u>	<u>19,368,131</u>	<u>18,365,564</u>	<u>18,092,585</u>	<u>16,573,234</u>	<u>15,836,082</u>

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Payments to States in Lieu of Real Estate Taxes	15.226		\$ 13,714
Bulletproof Vest Partnership Program	16.607		<u>1,063</u>
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-RW0000192	<u>9,351</u>
Total direct			<u>24,128</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Marion County Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>1,636</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>25,568</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-12-40	<u>28,161</u>
Violence Against Women Formula Grants	16.588	VW-12-40	<u>30,495</u>
Governor's Office of Drug Control Policy:			
Polk County Sheriff:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	09JAG/ARRA-3460B	<u>49,279</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C091(79)-8J-91	118,400
Highway Planning and Construction	20.205	BROS-C091(80)-8J-91	<u>120,272</u>
			<u>238,672</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasurers Incentive Grants	20.601	12-410, Task 74	<u>8,428</u>

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT91	9,576
Public Health Emergency Preparedness	93.069	5882BT91	29,914
			<u>39,490</u>
Immunization Grants	93.268	58811477	5,221
Immunization Grants	93.268	58821477	5,529
			<u>10,750</u>
Maternal and Child Health Services Block Grant to the States	93.994	5881MH28	7,514
Maternal and Child Health Services Block Grant to the States	93.994	5882MH28	32,801
			<u>40,315</u>
Iowa Department on Aging:			
Aging Resources of Central Iowa:			
Aging Cluster Programs:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		66,125
Nutrition Services Incentive Program	93.053		43,156 *
			<u>109,281</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		35
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,656
Foster Care - Title IV-E	93.658		9,373
Adoption Assistance	93.659		2,762
Social Services Block Grant	93.667		8,144
Social Services Block Grant	93.667		111,068
			<u>119,212</u>
Children's Health Insurance Program	93.767		88
Medical Assistance Program	93.778		24,140

Schedule 6

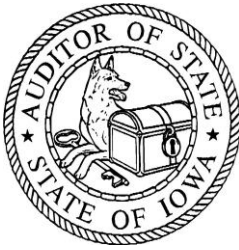
Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1930	222,066
Hazard Mitigation Grant	97.039	DR-1688-0007-01	34,000
Emergency Management Performance Grants	97.042	EMPG-12-PT-91	53,883
Total indirect			1,053,290
Total			\$ 1,077,418

* Includes \$11,558 of non-cash awards.

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 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 Warren County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Warren County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Warren County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-12 through II-H-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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.

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 21, 2013

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

Warren County



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

To the Officials of Warren County:

Compliance

We have audited Warren County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Warren County's major federal programs for the year ended June 30, 2012. Warren County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

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

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

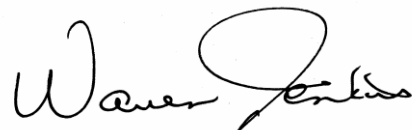
A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-12 and III-C-12 to be significant deficiencies.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 21, 2013

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies and a material weakness in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - Aging Cluster:
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA Number 93.053 – Nutrition Services Incentive Program
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – During our review of internal control, the existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- (7) Checks are not restrictively endorsed upon receipt by the mail opener. Sheriff
- (8) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts. Engineer, Environmental Health

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

Responses –

- (a) Zoning – We are limited with only two employees. We make every effort to maximize internal controls.
- (b) Sheriff – We will attempt to get independent review as often as possible.
- (c) Congregate Meals (response and corrective action planned) – We will segregate duties over receipts as much as possible.
- (d) Engineer – We are working toward improvement in the various control procedures with limited personnel and time.
- (e) Recorder – We do the best we can to have dual control in our procedures. I will work on improving the above items.
- (f) MH/DD Community Services – We will have a staff member who does not issue receipts review all receipts and match them with the book to ensure proper handling. We will have a third person deliver receipts to the Treasurer’s office.
- (g) Environmental Health – Segregation of duties is difficult with small staff.
- (h) Conservation – Staff limitations make segregation of duties impractical. We will maintain as much segregation of duties as staff schedules allow.
- (i) Friends of Warren County Conservation – Lack of staff makes segregation of duties difficult. The Treasurer of the Friends of Warren County Conservation reviews and balances the checkbook, but not on a monthly basis.
- (j) Treasurer – We do not have enough staff. All tax employees have the ability to make entries and void receipts.
- (k) Emergency Management/E911 – Due to the limited number of employees in each agency, it is not logistically possible to realize segregation of duties.
- (l) County Extension Office – In the future we will have a non-officer, non-signatory person sign off on all financials.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

II-B-12 Financial Reporting – The following financial reporting errors were noted:

Receivables – During the audit, we identified \$5,243 of receivables for Congregate Meals, \$278,559 of FEMA receivables and \$34,000 of Emergency Management grant receivables not recorded in the County's financial statements at the time of the audit.

Sheriff Law Enforcement Contracts – During the audit, we identified \$14,577 of law enforcement contract receivables not recorded in the County's financial statements. Of that amount, \$5,200 was recorded in the next fiscal year and \$9,377 of receivables have not been collected or reported in the County's financial records to date.

Capital Assets – A farm to market project with costs to date of \$593,000 was omitted from capital assets.

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

Responses -

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

Sheriff – We will let the Budget Analyst know what is outstanding at the end of the year.

Engineer – I will make sure the capital asset listing at year end includes all in-progress projects as well as completed projects.

Emergency Management – The hazard mitigation grant was administered by Southern Iowa Council of Governments (SICOG). The SICOG was delayed in finalizing the grant due to a delay in FEMA approving the plan and having a formal presidential disaster declaration. The Warren County Emergency Management Agency did not receive this reimbursement until November 2012, so the exact amount to be recorded was not known until this time. In the future, we will attempt to estimate any pending receivables for reporting.

Conclusions – Responses accepted.

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

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – We have been working on this and feel we are getting close to completing a trust list.

Conclusion – Response accepted.

- II-D-12 Sheriff Jail Commissary – One individual collects, deposits and records receipts for the Jail Commissary. The listing of inmate receipts is not reconciled to receipt records and deposited by an independent person. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts. Unused checks and signature stamps are not adequately controlled.

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

Response – We have had the budget analyst review bank reconciliations occasionally in the past year and will attempt to have the budget analyst review more often in the future.

Conclusion – Response acknowledged. Inmate ledgers should be periodically reconciled to deposits by an independent person and unused checks and signature stamps should be properly safeguarded.

- II-E-12 Sheriff Commissary Prestige Cards – The Commissary uses Prestige Cards to transfer inmate balances to prepaid MasterCard for released inmates. Because the cards have no monetary value until they are authorized, an inventory listing is not maintained.

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

Response – We will establish a procedure to have the jail review the authorizations.

Conclusion – Response accepted.

- II-F-12 Public Health Nurse – Reconciliations of nursing service billings, collections and receivables were not prepared each month.

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

Response – We continue to have budget constraints and personnel limitations. We continue to rely on our software to account for receivables for home care billings and collections. There are currently over twenty additional entities we bill for services provided and have not been able to perform an actual billing to collections reconciliations every month.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Conclusion – Response acknowledged. To strengthen controls over the proper collection of all billed services, a reconciliation of billings, collections and receivables should be performed monthly.

II-G-12 Check Signing – The person who has access to the electronic signature for signing the County's checks also has the ability to record disbursement information in the County's accounting software.

Recommendation – The County should not allow anyone who can input into the County's accounting records to have access to the electronic signature or establish procedures to ensure all checks printed are appropriate.

Response – We will reconcile the invoice edit list with the checks issued and disbursements recorded on a monthly basis during the general ledger reconciliation process. This will provide an independent verification that all checks issued have been approved.

Conclusion – Response accepted.

II-H-12 Automatic Deposits – There were two automatic deposits of state and federal funds to the County's bank accounts totaling over \$165,000 which were not recorded in the County's books for over 30 days.

Recommendation – The County should establish procedures to ensure timely recording of all revenue.

Response – This was an isolated incident which happened during a busy time of year and was overlooked. The Treasurer was made aware of the situation as soon as it was discovered. We will watch this closer in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.045:
Pass-through Number:
Federal Award Year: 2010
U.S. Department of Aging
Passed through Aging Resources of Central Iowa

III-A-12 Segregation of Duties Over Federal Revenues – Warren County Congregate Meals did not properly segregate opening the mail, collecting, depositing, posting and reconciling functions for revenues, including those related to federal programs. See item II-A-12.

III-B-12 Contributions for Congregate Meals – Drivers making home meal deliveries may collect donations.

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

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

Conclusion – Response accepted.

III-C-12 Reporting – Warren County Congregate Meals is responsible for submitting monthly reports to Aging Resources of Central Iowa which identify the number of meals served and the amount of contributions received at each meal site. These reports should be prepared based on the meal site manager reports. The monthly reports have been prepared based on receipts recorded in the Eden system. As a result, contributions which are mailed directly to the Congregate Meals office are not reported for the correct meal site for accurate reporting of contributions received.

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

Response and Corrective Action Planned – We have started a spreadsheet in fiscal 2013 to help us properly report meals served and contributions received based on the meal site manager reports.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted. However, disbursements for the Conservation Department exceeded the amount appropriated prior to the budget amendment.

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

Response - The Conservation Department exceeded its appropriation due to a large trail grant. This grant was budgeted to be received and disbursed in the previous fiscal year, but due to timing issues, the project did not occur until the fall of 2011. Since this was such a large grant, the County could not deappropriate from another department within the same service area to cover the difference so a budget amendment needed to be made. Due to the short amount of time from receiving the grant and disbursing it, the County did not have time to publish and approve a budget amendment. The County is aware of the amendment requirements and will do its best to comply in future budgets.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – During the year ended June 30, 2012, the County purchased thirty-two Adventure Land tickets at a total cost of \$744. The tickets were purchased for employees as part of the County's wellness program. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

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

Response – The County purchased Adventureland tickets as a reward and mental wellness benefit to its employees. It was intended to reward and motivate County employees for the completion of the fiscal year and an attempt to get the employees out and active at Adventureland. If we offer this type of incentive in the future, a proper public purpose statement will be attached to the invoice.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments	\$ 14,106
Andy Coffman, Secondary Roads employee, brother owns Coffman Glass	Supplies for Engineer	1,993

The transactions with Mary Taylor for supplies for various County departments and Andy Coffman for supplies do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since their remuneration of employment is not directly affected as a result of the contracts and their duties of employment do not directly involve the procurement or preparation of any part of the contracts.

IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

IV-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-12 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.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-J-12 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

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

Response – We will contact the bank again to obtain images of both the front and back of each cancelled check.

Conclusion – Response accepted.

IV-K-12 Sheriff D.A.R.E. Account – The County Sheriff maintains a bank account for the D.A.R.E. program. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

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

Response – This may be discontinued.

Conclusion – Response acknowledged. A Special Revenue Fund should be used if the D.A.R.E. is continued.

IV-L-12 Commissary Account – The County Sheriff maintains a bank account for the commissary. The financial activity of this account includes bond activity which should be reflected in the Sheriff Fees account. In addition, commissary profits should be remitted to the County Treasurer at least annually.

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

Response – We will review bond segregation, but we believe commissary is being remitted to the County twice a year.

Conclusion – Response acknowledged. The Sheriff should ensure commissary account profits are remitted to the County Treasurer at least twice a year.

IV-M-12 Sheriff Account – The County Sheriff maintains a bank account for Sheriff fees. The financial activity of this account includes grants and forfeiture activity which should be deposited directly with the County Treasurer to the General Fund or a Special Revenue Fund.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

Conclusion – Response acknowledged. Collections for grants and forfeitures should be direct deposited to an account held by the County Treasurer.

IV-N-12 Emergency Management – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted for Emergency Management Services.

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

Response – The budget was exceeded when we incurred additional grant disbursements. The grant was included in published disbursements for fiscal year 2010 and 2011, but the grant was delayed. The final payment was in June of 2012 and there was not time to publish an amended budget.

Conclusion – Response acknowledged. The budget should have been amended before the final payment was made. In addition, the fiscal year 2010 and 2011 publications of disbursements should have included actual disbursements, not anticipated disbursements.

IV-O-12 Financial Condition – The Mental Health Fund had a deficit unassigned fund balance of \$1,484,977 on June 30, 2012.

Recommendation – The County should investigate alternatives to eliminate this deficit and return the Mental Health Fund to a sound financial condition.

Response – The County is planning to apply for transition funds during the month of October 2012. We are not aware of any other options available to eliminate this deficit. The County, by law, cannot levy any more taxes in the Mental Health Fund and is not allowed to make permanent transfers to the Mental Health Fund that could not be repaid by the end of the fiscal year.


Conclusion – Response accepted.

Warren County

Staff

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