



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE March 28, 2013

515/281-5834

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

The County had local tax revenue of \$17,980,015 for the year ended June 30, 2012, which included \$656,806 in tax credits from the state. The County forwarded \$12,095,614 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,884,401 of the local tax revenue to finance County operations, a 4.2% increase over the prior year. Other revenues included charges for service of \$995,821, operating grants, contributions and restricted interest of \$3,665,608, local option sales tax of \$502,849, unrestricted investment earnings of \$50,695 and other general revenues of \$204,340.

Expenses for County operations totaled \$11,736,663, an 18.0% decrease from the prior year. Expenses included \$5,288,952 for roads and transportation, \$1,967,367 for mental health and \$1,465,502 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Office of Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0088-B00F.pdf>.

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UNION COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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Union County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Brown	Board of Supervisors	Jan 2013*
Robert G. Brown	Board of Supervisors	Jan 2013
Robert Jansen	Board of Supervisors	Jan 2013
Lois Monday	Board of Supervisors	Jan 2013*
Ron Riley	Board of Supervisors	Jan 2013*
Sandy Hysell	County Auditor	Jan 2013
Kelly Busch	County Treasurer	Jan 2015
Paula White	County Recorder	Jan 2015
Rick L. Piel	County Sheriff	Jan 2013
Timothy R. Kenyon	County Attorney	Jan 2015
Steven Gene Haner	County Assessor	Jan 2016

* - Board member terms were reduced to 2 years to begin the Board of Supervisor's transition plan for changing from a 5 member Board to a 3 member Board.

Union County



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union 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 Union 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 Union 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 26, 2013 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally

accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union 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 two years ended June 30, 2011 and for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012, along with comparative data for the year ended June 30, 2011. 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 decreased 14.72%, or approximately \$1,951,000, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$240,000 over fiscal year 2011. Operating grants, contributions and restricted interest decreased approximately \$408,000, charges for service decreased approximately \$166,000 and capital grants, contributions and restricted interest decreased approximately \$1,397,000.
- Program expenses of the County's governmental activities decreased 18.04%, or approximately \$2,583,000. Mental health expenses increased approximately \$128,900, roads and transportation expenses decreased approximately \$1,297,000 and county environment and education expenses decreased approximately \$493,000.
- The County's net assets decreased approximately \$433,000 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 Union 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 Union 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 Union 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 funds 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 about activities in a way that 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 event or change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government 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) The proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the county's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. The fiduciary funds include Agency Funds that account for the Prairie Solid Waste Agency and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 11,498,202	15,290,904
Capital assets	14,456,320	15,236,265
Total assets	<u>25,954,522</u>	<u>30,527,169</u>
Long-term liabilities	11,978,638	15,921,709
Other liabilities	6,954,903	7,151,530
Total liabilities	<u>18,933,541</u>	<u>23,073,239</u>
Net assets:		
Invested in capital assets, net of related debt	4,734,653	5,203,375
Restricted	2,218,833	2,499,191
Unrestricted	67,495	(248,636)
Total net assets	<u>\$ 7,020,981</u>	<u>7,453,930</u>

Net assets of Union County's governmental activities decreased 5.81%, or \$432,949, during the year. A portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$(251,636) at June 30, 2011 to \$67,495 at the end of this year, primarily due to a decrease in administration and non-program expenses during the fiscal year.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 995,821	1,161,374
Operating grants, contributions and restricted interest	3,665,608	4,073,785
Capital grants, contributions and restricted interest	-	1,397,080
General revenues:		
Property and other county tax	5,367,217	5,127,662
Tax increment financing	310,545	315,704
Penalty and interest on property tax	70,339	103,411
State tax credits	206,639	205,269
Local option sales tax	502,850	486,999
Grants and contributions not restricted to specific purposes	15,798	39,656
Unrestricted investment earnings	50,695	143,901
Gain on disposition of capital assets	-	6,106
Other general revenues	118,202	193,791
Total revenues	11,303,714	13,254,738
Program expenses:		
Public safety and legal services	1,465,502	1,456,436
Physical health and social services	450,028	501,598
Mental health	1,967,367	1,838,463
County environment and education	732,606	1,225,814
Roads and transportation	5,288,952	6,585,936
Governmental services to residents	391,630	470,354
Administration	972,947	1,445,123
Interest on long-term debt	464,465	494,135
Non-program	3,166	301,554
Total expenses	11,736,663	14,319,413
Change in net assets	(432,949)	(1,064,675)
Net assets beginning of year	7,453,930	8,518,605
Net assets end of year	\$ 7,020,981	7,453,930

Overall, revenues decreased approximately \$1,951,000, or 14.72%, during the year. The decrease is primarily due to a decrease in capital and operating grants, contributions and restricted interest.

The cost of all governmental activities this year was approximately \$11.7 million compared to approximately \$14.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$7.1 million because some of the cost was paid by those directly benefited from the programs (\$995,821) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,665,608). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2012 from approximately \$6,632,000 to approximately \$4,661,000, principally due to receiving less in pass through funds from a Community Development Block Grant (CDBG) and capital contributions from the Iowa Department of Transportation in fiscal year 2012. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of \$4,084,540 compared to of \$8,009,929 at June 30, 2011, a decrease of \$3,925,389. The decrease in fund balance is primarily attributable to a current refunding of general obligation bonds during fiscal year 2012.

- The General Fund, the operating fund for Union County, ended fiscal year 2012 with a balance of \$918,623, an increase of \$270,316 over the fiscal year 2011 ending balance of \$648,307. Revenues and expenditures each include approximately \$254,000 due to the County passing through Community Development Block Grant (CDBG) funds to the City of Creston. Overall, expenditures decreased as the result of the settlement of litigation in fiscal year 2011. The County incurred approximately \$500,000 of litigation costs during fiscal year 2011.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end decreased \$281,243, from a deficit fund balance of \$162,200 to a deficit fund balance of \$443,433. In fiscal year 2010, the County experienced a substantial reduction in revenue, specifically in the areas of allowable growth and mental health community service fund allocation. Since that time, revenues have remained flat while mental health costs have escalated. Mental Health Fund expenditures went from \$1,836,463 in fiscal year 2011 to \$1,967,367 in fiscal year 2012. As a result, the County continues to run a deficit fund balance in the Mental Health Fund.
- The Special Revenue, Rural Services Fund ending fund balance decreased \$75,256, or 26.3%, from the prior year to \$210,580. Revenues increased 6% while expenditures increased 19.5%, primarily due to an increase of \$33,000 in salaries and health insurance costs over fiscal year 2011.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a \$1,089,320 fund balance, a decrease of \$225,940 compared to the prior year ending fund balance of \$1,315,260. The decrease in fund balance is primarily due to a decrease in operating transfers from other governmental funds. Operating transfers decreased approximately \$473,000.
- The Debt Service Fund balance decreased from \$1,600,409 at the end of fiscal year 2011 to \$1,592,639 at the end of fiscal year 2012. Property tax revenue decreased approximately \$127,000, or 9.2%, due to a decrease in the debt service levy from \$3.38357 per \$1,000 of taxable valuation in fiscal year 2011 to \$2.96093 per \$1,000 of taxable valuation in fiscal year 2012. In addition, the fund balance includes \$1,166,829 due from the Prairie Solid Waste Agency to repay the County for general obligation solid waste disposal notes issued for the Agency.
- The Capital Projects Fund had a significant decrease of approximately \$3,660,000 in fund balance, from \$3,921,764 at the end of fiscal year 2011 to \$261,638 at the end of fiscal year 2012. The decrease in the fund balance can mainly be attributed to refunding approximately \$2.7 million in series 2004 general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget three times. The amendments were made in September 2011, April 2012 and May 2012 and resulted in an increase in budgeted disbursements, primarily due to increases for public safety and roads and transportation.

The County's receipts were \$763,807 more than budgeted, a variance of 7.2%. The most significant variance resulted from miscellaneous receipts being more than expected. The increase was the result of the County receiving more intergovernmental and miscellaneous receipts than anticipated.

Total disbursements were \$1,093,589 less than the amended budget. Actual disbursements for debt service were \$2,687,708 more than budgeted. This was primarily due to the timing of the refunding of the series 2004 general obligation bonds which were initially scheduled to take place in fiscal year 2011. The refunding actually took place at the beginning of fiscal year 2012. Roads and transportation was less than budgeted due to the refunding of the series 2004 general obligation bonds paid from debt service. However, this was budgeted to be paid from roads and transportation.

The County's disbursements exceeded the amount budgeted for the debt service function for the year ended June 30, 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Union County had approximately \$14.5 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$780,000, or 5.1%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 253,619	253,619
Buildings	602,247	654,817
Improvements other than buildings	26,965	29,325
Equipment and vehicles	1,416,429	1,549,553
Infrastructure	12,157,060	12,748,951
Total	\$ 14,456,320	15,236,265

This year's major additions were due to Secondary Roads Department equipment of \$206,512.

Union County had depreciation expense of \$986,457 in fiscal year 2012 and total accumulated depreciation of \$6,333,517 at June 30, 2012. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2012, Union County had approximately \$11,313,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$15,424,000 at June 30, 2011, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation bonds	\$ 9,737	13,536
General obligation notes	205	410
General obligation solid waste disposal notes	1,230	1,290
Rural development loan	-	3
Capital lease purchase agreement	141	185
Total	\$ 11,313	15,424

In fiscal year 2012, the County issued no new debt and refunded \$2,725,000 of general obligation urban renewal refunding bonds, series 2004. Principal paid on the other general obligation bonds and notes totaled \$1,342,327 during the year ended June 30, 2012. Principal payments made in fiscal year 2012 on the capital lease purchase agreement totaled \$43,527.

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. Union County's constitutional debt limit is approximately \$35 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the county now stands at 4.8% versus 5.8% a year ago. This compares with the State's unemployment rate of 4.9% and the national rate of 7.8%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$12.8 million, an increase of 5% over the fiscal year 2012 budget. The property tax rate for urban areas declined from \$11.45452 per \$1,000 of taxable valuation to \$10.8212 per \$1,000 of taxable valuation for fiscal year 2013. The property tax rates in rural areas declined from \$14.999 per \$1,000 of taxable valuation to \$14.3669 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union 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 Union County Auditor's Office, 300 N. Pine, Creston, Iowa 50801.

Union County

Basic Financial Statements

Exhibit A

Union County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 3,855,786
Receivables:	
Property tax:	
Delinquent	17,398
Succeeding year	5,710,000
Interest and penalty on property tax	53,467
Loan	1,166,829
Accounts	7,929
Due from other governments	517,890
Inventories	168,903
Capital assets, net of accumulated depreciation	14,456,320
Total assets	<u>25,954,522</u>
Liabilities	
Accounts payable	406,393
Salaries and benefits payable	50,717
Accrued interest	35,424
Due to other governments	752,369
Deferred revenue:	
Succeeding year property tax	5,710,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	45,278
General obligation bonds	981,597
General obligation notes	160,000
General obligation solid waste disposal notes	60,000
Compensated absences	93,303
Portion due or payable after one year:	
Capital lease purchase agreement	96,095
General obligation bonds	8,755,000
General obligation notes	45,000
General obligation solid waste disposal notes	1,170,000
Compensated absences	60,365
Net OPEB liability	512,000
Total liabilities	<u>18,933,541</u>
Net Assets	
Invested in capital assets, net of related debt	4,734,653
Restricted for:	
Supplemental levy purposes	152,367
Rural services purposes	210,580
Secondary roads purposes	986,088
Debt service	331,572
Capital projects	43,882
Other purposes	494,344
Unrestricted	67,495
Total net assets	<u>\$ 7,020,981</u>

See notes to financial statements.

Union 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	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 1,465,502	97,661	12,283	(1,355,558)
Physical health and social services	450,028	24,699	214,886	(210,443)
Mental health	1,967,367	17,842	918,046	(1,031,479)
County environment and education	732,606	170,602	332,803	(229,201)
Roads and transportation	5,288,952	333,695	2,187,590	(2,767,667)
Governmental services to residents	391,630	241,652	-	(149,978)
Administration	972,947	26,329	-	(946,618)
Interest on long-term debt	464,465	-	-	(464,465)
Non-program	3,166	83,341	-	80,175
Total	\$ 11,736,663	995,821	3,665,608	(7,075,234)

General Revenues:

Property and other county tax levied for:	
General purposes	4,112,608
Debt service	1,254,609
Tax increment financing	310,545
Penalty and interest on property tax	70,339
State tax credits	206,639
Local option sales tax	502,850
Grants and contributions not restricted to specific purposes	15,798
Unrestricted investment earnings	50,695
Miscellaneous	118,202
Total general revenues	6,642,285
Change in net assets	(432,949)
Net assets beginning of year	7,453,930
Net assets end of year	\$ 7,020,981

See notes to financial statements.

Union County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, pooled investments and cash equivalents	\$ 958,579	337,389	195,245	913,589
Receivables:				
Property tax:				
Delinquent	9,289	2,548	927	-
Succeeding year	2,702,000	728,000	807,000	-
Interest and penalty on property tax	53,420	-	-	-
Loan	-	-	-	-
Accounts	7,286	-	-	-
Due from other governments	39,699	-	28,903	449,288
Inventories	-	-	-	168,903
Total assets	\$ 3,770,273	1,067,937	1,032,075	1,531,780
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 44,491	43,880	8,252	221,127
Salaries and benefits payable	27,072	-	5,277	18,368
Due to other governments	15,378	736,952	39	-
Deferred revenue:				
Succeeding year property tax	2,702,000	728,000	807,000	-
Other	62,709	2,548	927	202,965
Total liabilities	<u>2,851,650</u>	<u>1,511,380</u>	<u>821,495</u>	<u>442,460</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	168,903
Restricted for:				
Supplemental levy purposes	149,599	-	-	-
Rural services purposes	-	-	210,580	-
Secondary roads purposes	-	-	-	920,417
Conservation land acquisition/ capital improvements	38,884	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	12,723	-	-	-
Commissary	4,924	-	-	-
Inmate medical	44,475	-	-	-
Unassigned	668,018	(443,443)	-	-
Total fund balances	<u>918,623</u>	<u>(443,443)</u>	<u>210,580</u>	<u>1,089,320</u>
Total liabilities and fund balances	\$ 3,770,273	1,067,937	1,032,075	1,531,780

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
425,786	350,071	454,774	3,635,433
4,357	-	277	17,398
1,174,000	-	299,000	5,710,000
-	-	-	53,420
1,166,829	-	-	1,166,829
24	210	409	7,929
-	-	-	517,890
-	-	-	168,903
<u>2,770,996</u>	<u>350,281</u>	<u>754,460</u>	<u>11,277,802</u>
-	88,643	-	406,393
-	-	-	50,717
-	-	-	752,369
1,174,000	-	299,000	5,710,000
4,357	-	277	273,783
<u>1,178,357</u>	<u>88,643</u>	<u>299,277</u>	<u>7,193,262</u>
-	-	-	168,903
-	-	-	149,599
-	-	-	210,580
-	-	-	920,417
-	-	-	38,884
1,592,639	-	-	1,592,639
-	261,638	-	261,638
-	-	455,183	455,183
-	-	-	12,723
-	-	-	4,924
-	-	-	44,475
-	-	-	224,575
<u>1,592,639</u>	<u>261,638</u>	<u>455,183</u>	<u>4,084,540</u>
<u>2,770,996</u>	<u>350,281</u>	<u>754,460</u>	<u>11,277,802</u>

Union County

Union County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 4,084,540

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 \$20,789,837 and the accumulated depreciation is \$6,333,517. 14,456,320

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 273,783

The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 220,400

Long-term liabilities, including the capital lease purchase agreement payable, bonds and notes 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. (12,014,062)

Net assets of governmental activities (page 16) \$ 7,020,981

See notes to financial statements.

Union County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,631,565	721,847	768,848	-
Local option sales tax	100,570	-	150,855	251,425
Tax increment financing	-	-	-	-
Interest and penalty on property tax	61,773	-	-	-
Intergovernmental	478,393	946,435	140,817	2,276,641
Licenses and permits	2,899	-	14,506	690
Charges for service	485,936	-	696	13,337
Use of money and property	66,081	-	-	-
Miscellaneous	32,835	17,842	-	117,448
Total revenues	<u>3,860,052</u>	<u>1,686,124</u>	<u>1,075,722</u>	<u>2,659,541</u>
Expenditures:				
Operating:				
Public safety and legal services	1,305,769	-	178,880	-
Physical health and social services	276,148	-	145,559	-
Mental health	-	1,967,367	-	-
County environment and education	620,968	-	86,464	-
Roads and transportation	-	-	136,073	3,313,437
Governmental services to residents	422,826	-	-	-
Administration	899,154	-	-	-
Capital projects	-	-	-	238,166
Debt service	-	-	-	-
Total expenditures	<u>3,524,865</u>	<u>1,967,367</u>	<u>546,976</u>	<u>3,551,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>335,187</u>	<u>(281,243)</u>	<u>528,746</u>	<u>(892,062)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	666,122
Operating transfers out	(64,871)	-	(604,002)	-
Total other financing sources (uses)	<u>(64,871)</u>	<u>-</u>	<u>(604,002)</u>	<u>666,122</u>
Change in fund balances	270,316	(281,243)	(75,256)	(225,940)
Fund balances beginning of year	648,307	(162,200)	285,836	1,315,260
Fund balances end of year	<u>\$ 918,623</u>	<u>(443,443)</u>	<u>210,580</u>	<u>1,089,320</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,254,609	-	-	5,376,869
-	-	-	502,850
-	-	310,545	310,545
-	-	-	61,773
101,868	5,500	18,710	3,968,364
-	-	-	18,095
-	-	2,734	502,703
660	17,478	50,891	135,110
150,549	2,344	-	321,018
1,507,686	25,322	382,880	11,197,327
-	-	-	1,484,649
-	-	12,481	434,188
-	-	-	1,967,367
-	-	9,303	716,735
-	-	-	3,449,510
-	-	10,751	433,577
-	-	-	899,154
-	952,806	-	1,190,972
1,515,456	2,737,280	293,828	4,546,564
1,515,456	3,690,086	326,363	15,122,716
(7,770)	(3,664,764)	56,517	(3,925,389)
-	4,638	-	670,760
-	-	(1,887)	(670,760)
-	4,638	(1,887)	-
(7,770)	(3,660,126)	54,630	(3,925,389)
1,600,409	3,921,764	400,553	8,009,929
1,592,639	261,638	455,183	4,084,540

Union 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

Change in fund balances - Total governmental funds (page 23) \$(3,925,389)

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 in the current year, as follows:

Expenditures for capital assets	\$ 206,512	
Depreciation expense	<u>(986,457)</u>	(779,945)

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	(9,652)	
Other	<u>31,979</u>	22,327

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. 4,110,854

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	217	
Other postemployment benefits	(168,000)	
Interest on long-term debt	<u>14,772</u>	(153,011)

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 292,215

Change in net assets of governmental activities (page 17) \$ (432,949)

See notes to financial statements.

Union County
Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 220,353
Accrued interest receivable	47
Total assets	<u>220,400</u>
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	<u><u>\$ 220,400</u></u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 230,173
Insurance reimbursements	72,835
Total operating revenues	<u>303,008</u>
Operating expenses:	
Administrative fee	<u>11,512</u>
Operating income	291,496
Non-operating revenues:	
Interest income	<u>719</u>
Net income	292,215
Net assets beginning of year	<u>(71,815)</u>
Net assets end of year	<u><u>\$ 220,400</u></u>

See notes to financial statements.

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

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 158,337
Cash received from insurance reimbursements	84,720
Cash paid to suppliers for services	(88,524)
Net cash provided by operating activities	154,533
Cash flows from investing activities:	
Interest on investments	683
Net increase in cash and cash equivalents	155,216
Cash and cash equivalents beginning of year	65,137
Cash and cash equivalents end of year	\$ 220,353
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 291,496
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	11,885
Decrease in accounts payable	(148,848)
Net cash provided by operating activities	\$ 154,533

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,158,530
Other County officials	40,523
Receivables:	
Property tax:	
Delinquent	46,791
Succeeding year	11,676,000
Accounts	7,463
Special assessments	10,996
Due from other governments	27,756
Total assets	<u>13,968,059</u>

Liabilities

Accounts payable	209,112
Salaries and benefits payable	4,217
Due to other governments	13,653,416
Trusts payable	92,574
Compensated absences	8,740
Total liabilities	<u>13,968,059</u>

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

Union County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Union 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, Union County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 due from 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 Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Pooled Investments and Cash Equivalents

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.

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

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 62,120
	Special Revenue:	
	Rural Services	604,002
Capital Projects	General	2,751
	Special Revenue:	
	Resource Enhancement and Protection	1,887
Total		<u>\$ 670,760</u>

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

(4) Capital Assets

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

	<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	\$ 253,619	-	-	253,619
Capital assets being depreciated:				
Buildings	2,043,681	-	-	2,043,681
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	4,033,731	206,512	51,697	4,188,546
Infrastructure, road network	14,255,789	-	-	14,255,789
Total capital assets being depreciated	<u>20,381,403</u>	<u>206,512</u>	<u>51,697</u>	<u>20,536,218</u>
Less accumulated depreciation for:				
Buildings	1,388,863	52,571	-	1,441,434
Improvements other than buildings	18,878	2,359	-	21,237
Equipment and vehicles	2,484,178	339,636	51,697	2,772,117
Infrastructure, road network	1,506,838	591,891	-	2,098,729
Total accumulated depreciation	<u>5,398,757</u>	<u>986,457</u>	<u>51,697</u>	<u>6,333,517</u>
Total capital assets being depreciated, net	<u>14,982,646</u>	<u>(779,945)</u>	<u>-</u>	<u>14,202,701</u>
Governmental activities capital assets, net	<u>\$ 15,236,265</u>	<u>(779,945)</u>	<u>-</u>	<u>14,456,320</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 19,343
Physical health and social services	28,783
County environment and education	29,406
Roads and transportation	846,916
Governmental services to residents	5,380
Administration	56,629
Total depreciation expense - governmental activities	<u>\$ 986,457</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 15,378
Special Revenue:		
Mental Health	Services	736,952
Rural Services		39
Total for governmental funds		<u>\$ 752,369</u>
Agency:		
County Assessor	Collections	\$ 304,677
County Hospital		1,126,153
Schools		6,643,794
Community Colleges		347,247
Corporations		3,255,252
Townships		181,699
Auto License and Use Tax		292,488
Prairie Solid Waste		1,163,133
All other		338,973
Total for agency funds		<u>\$ 13,653,416</u>

(6) Long-Term Liabilities

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

	Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Notes	General Obligation Solid Waste Disposal Notes	Rural Development Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 184,900	13,535,474	410,000	1,290,000	3,450	153,885	344,000	15,921,709
Increases	-	-	-	-	-	139,004	200,000	339,004
Decreases	43,527	3,798,877	205,000	60,000	3,450	139,221	32,000	4,282,075
Balance end of year	<u>\$ 141,373</u>	<u>9,736,597</u>	<u>205,000</u>	<u>1,230,000</u>	<u>-</u>	<u>153,668</u>	<u>512,000</u>	<u>11,978,638</u>
Due within one year	<u>\$ 45,278</u>	<u>1,023,877</u>	<u>160,000</u>	<u>60,000</u>	<u>-</u>	<u>93,303</u>	<u>-</u>	<u>1,428,581</u>

* Net of \$88,403 of unamortized discount at June 30, 2012.

The cost and accumulated depreciation at June 30, 2012 of the motor grader acquired under a capital lease purchase agreement were \$226,000 and \$45,200, respectively.

Capital Lease Purchase Agreement

On April 26, 2010, the County entered into a capital lease purchase agreement to lease a motor grader with a historical cost of \$226,000. The following is a schedule of future minimum lease payments, including interest at 3.95% per annum, and the present value of net minimum payments under the agreement in effect at June 30, 2012:

Year Ending June 30,	Amount
2013	\$ 49,155
2014	49,155
2015	49,155
Total minimum lease payments	147,465
Less amount representing interest	6,092
Present value of net minimum lease payments	<u>\$ 141,373</u>

Payments under the capital lease purchase agreement totaled \$49,155 for the year ended June 30, 2012.

General Obligation Bonds

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

Year Ending June 30,	Series 2009			Series 2010		
	Issued October 16, 2009			Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.50%	\$ 320,000	188,308	1.25%	\$ 250,000	88,823
2014	4.00	330,000	177,107	1.50	260,000	85,698
2015	4.40	285,000	163,908	1.75	265,000	81,798
2016	4.80	290,000	151,368	2.00	265,000	77,160
2017	5.20	300,000	137,448	2.20	270,000	71,860
2018-2022	5.50 - 6.30	1,660,000	424,520	2.50 - 3.20	1,490,000	252,295
2023-2024	6.40	360,000	23,040	3.30 - 3.40	680,000	34,515
Total		<u>\$ 3,545,000</u>	<u>1,265,699</u>		<u>\$ 3,480,000</u>	<u>692,149</u>

Year Ending June 30,	Series 2011			Total		
	Issued June 29, 2011					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	2.00%	\$ 500,000	57,155	1,070,000	334,286	1,404,286
2014	2.00	510,000	47,155	1,100,000	309,960	1,409,960
2015	2.00	515,000	36,955	1,065,000	282,661	1,347,661
2016	2.00	525,000	26,655	1,080,000	255,183	1,335,183
2017	2.00	535,000	16,155	1,105,000	225,463	1,330,463
2018-2022	2.00 - 3.00	215,000	14,695	3,365,000	691,510	4,056,510
2023-2024		-	-	1,040,000	57,555	1,097,555
Total		<u>\$ 2,800,000</u>	<u>198,770</u>	<u>9,825,000</u>	<u>2,156,618</u>	<u>11,981,618</u>

The County completed the current refunding of \$2,725,000 of general obligation urban renewal refunding bonds, series 2004 during fiscal year 2012 with some of the proceeds from the series 2011 bonds issued on June 29, 2011. The County retired \$1,120,000 of other general obligation bonds during the year ended June 30, 2012.

General Obligation Notes

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

Year Ending June 30,	Series 2007			Series 2008		
	Issued May 1, 2007			Issued April 1, 2008		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2013	4.00%	\$ 10,000	2,255	3.25%	\$ 150,000	4,875
2014	4.00	10,000	1,855	-	-	-
2015	4.10	10,000	1,455	-	-	-
2016	4.15	10,000	1,045	-	-	-
2017	4.20	15,000	630	-	-	-
Total		\$ 55,000	7,240		\$ 150,000	4,875

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 160,000	7,130	167,130
2014	10,000	1,855	11,855
2015	10,000	1,455	11,455
2016	10,000	1,045	11,045
2017	15,000	630	15,630
Total	\$ 205,000	12,115	217,115

During the year ended June 30, 2012, the County retired \$205,000 of general obligation notes.

General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

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

Year Ending June 30,	Series 2007B			
	Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2013	4.100%	\$ 60,000	52,184	112,184
2014	4.100	65,000	49,724	114,724
2015	4.100	65,000	47,059	112,059
2016	4.150	70,000	44,394	114,394
2017	4.150	70,000	41,489	111,489
2018-2022	4.150-4.300	400,000	160,728	560,728
2023-2027	4.300-4.375	500,000	67,602	567,602
Total		\$ 1,230,000	463,180	1,693,180

During the year ended June 30, 2012, the County retired \$60,000 of general obligation solid waste disposal notes.

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lake Lodge operated by the Union County Conservation Board. The final payment of \$3,450 was made during fiscal year 2012.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$223,048, \$194,686 and \$172,352, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug, dental and vision, benefits for employees, retirees and their spouses. There are 59 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Tri-Star Benefits. 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	\$ 205,000
Interest on net OPEB obligation	15,000
Adjustment to annual required contribution	<u>(20,000)</u>
Annual OPEB cost	200,000
Contributions made	<u>(32,000)</u>
Increase in net OPEB obligation	168,000
Net OPEB obligation beginning of year	<u>344,000</u>
 Net OPEB obligation end of year	 <u>\$ 512,000</u>

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

For the year ended June 30, 2012, the County contributed \$32,000 to the medical plan. Plan members eligible for benefits contributed \$31,000, or 49% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 204,600	15.5%	\$172,951
2011	203,049	15.8	344,000
2012	200,000	16.0	512,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,260,688, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,260,688. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,205,000 and the ratio of the UAAL to covered payroll was 57.2%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the FP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$623 per month for retirees less than age 65 and \$257 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County's health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The plan was funded by both employee and County contributions in prior years and was administered through a service agreement with American Administrators.

Funds remaining in the Employee Group Health Fund will be used to pay outstanding claims from the previous insurance plan. The County had unrestricted net assets of \$220,400 in the Employee Group Health Fund to cover future claims at June 30, 2012.

(11) Jointly Governed Organization

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2012:

Additions:

Contributions from governmental units:		
Union County	\$ 75,143	
City of Creston	<u>40,968</u>	
Total additions		\$ 116,111

Deductions:

Office supplies	4,577	
Telephone	11,356	
Computer software maintenance	8,781	
Office equipment and repair	2,427	
Contractual services	12,544	
Inmate supplies	1,132	
Janitorial	3,134	
Utilities	30,978	
Sanitation	1,590	
Building improvements	9,543	
Insurance	1,779	
Miscellaneous	<u>2,934</u>	<u>90,775</u>

Net 25,336

Balance beginning of year 14,062

Balance end of year \$ 39,398

(12) Deficit Balance

At June 30, 2012, the Special Revenue, Mental Health Fund had a deficit balance of \$443,443. The County is investigating alternatives to eliminate the deficit.

(13) Early Childhood Iowa Area Board

Union County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 33,729	-	33,729
Family support and parent education	-	70,186	70,186
Preschool support for low-income families	-	30,817	30,817
Quality improvement	-	33,050	33,050
Allocation for administration	1,775	4,358	6,133
Other grant programs	-	6,865	6,865
Total state grants	35,504	145,276	180,780
Interest on investments	158	2,036	2,194
Total revenues	35,662	147,312	182,974
Expenditures:			
Program services:			
Early childhood	29,127	-	29,127
Family support and parent education	-	70,186	70,186
Preschool support for low income families	-	41,052	41,052
Quality improvement	-	37,759	37,759
Other program services	-	8,901	8,901
Total program services	29,127	157,898	187,025
Administration	1,775	4,373	6,148
Total expenditures	30,902	162,272	193,173
Change in fund balance	4,760	(14,959)	(10,199)
Fund balance beginning of year	12,786	85,145	97,931
Fund balance end of year	\$ 17,546	70,186	87,732

Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-D-12 and IV-L-12 in the Schedule of Findings and Questioned Costs.

Required Supplementary Information

Union 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
Receipts:	
Property and other county tax	\$ 6,209,353
Interest and penalty on property tax	61,773
Intergovernmental	4,017,485
Licenses and permits	18,145
Charges for service	495,878
Use of money and property	169,022
Miscellaneous	451,634
Total receipts	11,423,290
Disbursements:	
Public safety and legal services	1,494,878
Physical health and social services	450,792
Mental health	1,959,535
County environment and education	715,128
Roads and transportation	3,468,914
Governmental services to residents	445,194
Administration	996,073
Debt service	4,550,013
Capital projects	1,292,208
Total disbursements	15,372,735
Deficiency of receipts under disbursements	(3,949,445)
Other financing sources, net	3,105
Deficiency of receipts and other financing sources under disbursements and other financing uses	(3,946,340)
Balance beginning of year	7,581,773
Balance end of year	\$ 3,635,433

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,214,811	6,214,811	(5,458)
17,100	17,100	44,673
3,593,144	3,701,654	315,831
4,085	4,085	14,060
408,450	408,450	87,428
192,263	192,263	(23,241)
116,620	121,120	330,514
10,546,473	10,659,483	763,807
1,609,997	1,639,497	144,619
491,231	628,458	177,666
1,610,460	1,960,460	925
682,578	747,578	32,450
4,114,795	6,459,068	2,990,154
446,628	458,979	13,785
955,294	1,038,644	42,571
1,720,305	1,862,305	(2,687,708)
1,671,335	1,671,335	379,127
13,302,623	16,466,324	1,093,589
(2,756,150)	(5,806,841)	1,857,396
1,007,500	3,306,764	(3,303,659)
(1,748,650)	(2,500,077)	(1,446,263)
6,612,784	6,612,784	968,989
4,864,134	4,112,707	(477,274)

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,423,290	(225,963)	11,197,327
Expenditures	15,372,735	(250,019)	15,122,716
Net	(3,949,445)	24,056	(3,925,389)
Other financing sources, net	3,105	(3,105)	-
Beginning fund balances	7,581,773	428,156	8,009,929
Ending fund balances	\$ 3,635,433	449,107	4,084,540

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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, three budget amendments increased budgeted disbursements by \$3,163,701. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

Union County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,261	1,261	0.00%	\$ 2,205	57.20%
2011	Jul 1, 2009	-	1,261	1,261	0.00	2,205	57.20
2012	Jul 1, 2009	-	1,261	1,261	0.00	2,205	57.20

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

See accompanying independent auditor's report.

Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Assets			
Cash, pooled investments and cash equivalents	\$ 498	94,450	19,494
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	43	245
Total assets	\$ 498	94,493	19,739
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for other purposes	498	94,493	19,739
Total liabilities and fund balances	\$ 498	94,493	19,739

See accompanying independent auditor's report.

Special Revenue				
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Charitable/ Educational	Total
109,074	42,313	160,480	28,465	454,774
-	-	277	-	277
-	-	299,000	-	299,000
49	-	72	-	409
109,123	42,313	459,829	28,465	754,460
-	-	299,000	-	299,000
-	-	277	-	277
-	-	299,277	-	299,277
109,123	42,313	160,552	28,465	455,183
109,123	42,313	459,829	28,465	754,460

Union County

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

Year ended June 30, 2012

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	8,215	10,495	-
Charges for service	-	-	2,734
Use of money and property	-	665	204
Total revenues	8,215	11,160	2,938
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	9,303	-	-
Governmental services to residents	-	-	10,751
Debt service	-	-	-
Total expenditures	9,303	-	10,751
Excess (deficiency) of revenues over (under) expenditures	(1,088)	11,160	(7,813)
Other financing uses:			
Operating transfers out	-	(1,887)	-
Change in fund balances	(1,088)	9,273	(7,813)
Fund balances beginning of year	1,586	85,220	27,552
Fund balances end of year	\$ 498	94,493	19,739

See accompanying independent auditor's report.

Special Revenue					
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Charitable/ Educational		Total
-	-	310,545	-		310,545
-	-	-	-		18,710
-	-	-	-		2,734
852	47,244	1,926	-		50,891
852	47,244	312,471	-		382,880
7,550	4,931	-	-		12,481
-	-	-	-		9,303
-	-	-	-		10,751
-	-	293,828	-		293,828
7,550	4,931	293,828	-		326,363
(6,698)	42,313	18,643	-		56,517
-	-	-	-		(1,887)
(6,698)	42,313	18,643	-		54,630
115,821	-	141,909	28,465		400,553
109,123	42,313	160,552	28,465		455,183

Union County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,675	49,218	25,057
Other County officials	40,523	-	-	-
Receivables:				
Property tax:				
Delinquent	-	437	766	4,096
Succeeding year	-	126,000	263,000	1,097,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 40,523	129,112	312,984	1,126,153
Liabilities				
Accounts payable	\$ -	-	371	-
Salaries and benefits payable	-	-	2,029	-
Due to other governments	10,954	129,112	304,677	1,126,153
Trusts payable	29,569	-	-	-
Compensated absences	-	-	5,907	-
Total liabilities	\$ 40,523	129,112	312,984	1,126,153

See accompanying independent auditor's report.

	Community			Auto License and Use Tax	Other	Total
Schools	Colleges	Corporations	Townships			
144,183	7,088	41,750	4,484	292,488	1,591,587	2,158,530
-	-	-	-	-	-	40,523
23,611	1,159	16,502	215	-	5	46,791
6,476,000	339,000	3,197,000	177,000	-	1,000	11,676,000
-	-	-	-	-	7,463	7,463
-	-	-	-	-	10,996	10,996
-	-	-	-	-	27,756	27,756
<u>6,643,794</u>	<u>347,247</u>	<u>3,255,252</u>	<u>181,699</u>	<u>292,488</u>	<u>1,638,807</u>	<u>13,968,059</u>
-	-	-	-	-	208,741	209,112
-	-	-	-	-	2,188	4,217
6,643,794	347,247	3,255,252	181,699	292,488	1,362,040	13,653,416
-	-	-	-	-	63,005	92,574
-	-	-	-	-	2,833	8,740
<u>6,643,794</u>	<u>347,247</u>	<u>3,255,252</u>	<u>181,699</u>	<u>292,488</u>	<u>1,638,807</u>	<u>13,968,059</u>

Union County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets and Liabilities				
Balances beginning of year	\$ 30,862	120,049	311,607	1,125,079
Additions:				
Property and other county tax	-	126,609	263,710	1,102,680
State tax credits	-	4,665	8,174	43,689
Contract law enforcement	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	598,942	-	583	-
Auto licenses, use tax and postage	-	-	-	-
Solid waste fees	-	-	-	-
Assessments	-	-	-	-
Trusts	26,461	-	-	-
Miscellaneous	4,479	-	1,524	-
Total additions	629,882	131,274	273,991	1,146,369
Deductions:				
Agency remittances:				
To other funds	143,868	-	-	-
To other governments	460,412	122,211	272,614	1,145,295
Trusts paid out	15,941	-	-	-
Total deductions	620,221	122,211	272,614	1,145,295
Balances end of year	\$ 40,523	129,112	312,984	1,126,153

See accompanying independent auditor's report.

	Community				Auto License and Use Tax	Other	Total
Schools	Colleges	Corporations	Townships				
6,523,652	322,829	3,371,911	167,435		283,824	1,593,834	13,851,082
6,506,740	341,444	3,124,488	178,511	-		1,265	11,645,447
252,773	12,359	122,392	6,065	-		50	450,167
-	-	-	-	-		116,111	116,111
-	-	-	-	-	45,172	-	45,172
-	-	-	-	-	-	2,735	602,260
-	-	-	-	-	3,383,307	-	3,383,307
-	-	-	-	-	-	1,488,040	1,488,040
-	-	-	-	-	-	23,647	23,647
-	-	-	-	-	-	258,500	284,961
-	-	-	-	-	-	312,219	318,222
6,759,513	353,803	3,246,880	184,576		3,428,479	2,202,567	18,357,334
-	-	-	-	-	128,860	-	272,728
6,639,371	329,385	3,363,539	170,312		3,290,955	2,157,594	17,951,688
-	-	-	-	-	-	-	15,941
6,639,371	329,385	3,363,539	170,312		3,419,815	2,157,594	18,240,357
6,643,794	347,247	3,255,252	181,699		292,488	1,638,807	13,968,059

Union County

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

For the Last Ten Years

	2012	2011	2010
Revenues:			
Property and other county tax	\$ 5,376,869	5,177,278	4,730,902
Local option sales tax	502,850	486,999	495,017
Tax increment financing	310,545	315,704	310,547
Interest and penalty on property tax	61,773	58,557	51,457
Intergovernmental	3,968,364	4,432,018	3,629,213
Licenses and permits	18,095	22,890	19,493
Charges for service	502,703	477,813	436,993
Use of money and property	135,110	194,032	227,601
Miscellaneous	321,018	396,255	283,701
Total	\$ 11,197,327	11,561,546	10,184,924
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,484,649	1,363,225	1,320,323
Physical health and social services	434,188	473,928	479,184
Mental health	1,967,367	1,838,463	1,169,979
County environment and education	716,735	1,185,301	615,643
Roads and transportation	3,449,510	4,547,039	4,004,056
Governmental services to residents	433,577	398,113	402,881
Administration	899,154	1,583,489	937,510
Non-program	-	-	-
Capital projects	1,190,972	6,386,417	1,032,421
Debt service	4,546,564	1,813,452	1,528,855
Total	\$ 15,122,716	19,589,427	11,490,852

See accompanying independent auditor's report.

Modified Accrual Basis						
2009	2008	2007	2006	2005	2004	2003
4,624,103	4,278,160	3,950,487	3,867,327	3,440,405	4,373,383	3,290,664
474,595	458,848	484,851	384,843	-	-	-
293,218	242,083	224,523	59,614	59,189	-	-
52,064	41,892	43,384	49,311	68,137	48,989	42,956
4,741,556	3,140,353	2,379,656	2,431,270	3,071,775	3,157,926	3,084,980
20,950	21,125	23,685	18,653	18,918	14,649	15,362
433,511	502,356	425,628	420,238	424,541	381,389	332,637
100,943	135,541	182,316	152,784	107,413	97,546	158,313
120,294	77,319	111,702	107,292	58,245	76,148	105,261
10,861,234	8,897,677	7,826,232	7,491,332	7,248,623	8,150,030	7,030,173
1,220,634	1,254,085	1,220,990	1,171,759	1,117,032	1,166,689	1,021,263
450,182	417,852	283,170	345,669	297,102	270,334	315,862
1,753,031	1,844,765	1,640,412	1,573,478	1,389,755	1,362,450	1,278,649
465,943	435,937	364,017	386,967	282,238	319,864	283,016
2,759,160	3,218,057	2,740,437	2,271,050	2,397,005	2,356,278	2,435,477
359,967	399,743	383,077	505,397	332,205	304,926	284,120
815,146	926,442	945,591	848,301	795,600	984,631	836,747
-	-	-	-	-	-	543,222
638,392	687,139	238,820	540,593	95,516	664,585	721,925
808,264	644,425	519,949	518,399	516,781	543,435	-
9,270,719	9,828,445	8,336,463	8,161,613	7,223,234	7,973,192	7,720,281

Schedule 6

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 5,496
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
ARRA - Community Development Block Grant Recovery (CDBG-R) Program	14.255	09-CDR-015	254,603
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881B788	290
Public Health Emergency Preparedness	93.069	5882BT88	10,505
			<u>10,795</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs			
	93.566		8
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,296
Foster Care Title IV-E	93.658		2,009
Adoption Assistance	93.659		561
State Children's Insurance Program	93.767		19
Medical Assistance Program	93.778		5,106
Social Services Block Grant	93.667		1,712
Social Services Block Grant	93.667		73,326
			<u>75,038</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1930 DRIA	10,469
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1763 DRIA	225,008
			<u>235,477</u>
Emergency Management Performance Grants	97.042		24,928
			<u>24,928</u>
Total			<u>\$ 615,336</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Union 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

**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**

Union County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

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

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union 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 26, 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 Union County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union 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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-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 and II-D-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union 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.

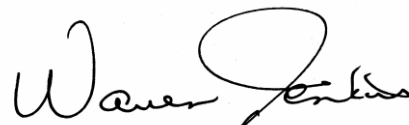
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

Union 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 Union County's responses and, accordingly, we express no opinion on them.

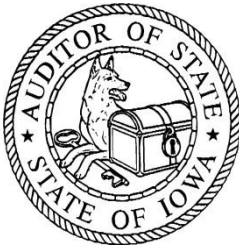
This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Union 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 26, 2013



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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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 Union County:

We have audited Union 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 Union County's major federal programs for the year ended June 30, 2012. Union 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 Union County's management. Our responsibility is to express an opinion on Union 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 Union 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 Union County's compliance with those requirements.

In our opinion, Union 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 Union 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 Union 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 Union County's internal control over compliance.


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12, we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Union County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Union County's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union 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 26, 2013

Union 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) Material weaknesses and significant deficiencies 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) A significant deficiency in internal control over a major program was disclosed, which was not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.255 – ARRA – Community Development Block Grant Recovery (CDBG-R) 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) Union County did not qualify as a low-risk auditee.

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

- (1) Receipts – collecting, depositing, posting and daily reconciling.
- (2) Bank reconciliations are not prepared by someone who doesn't sign checks, handle or record cash. In addition, reconciliations were not performed monthly.
- (3) Bank reconciliations are reviewed periodically by an independent person for propriety. However, there is no evidence of the review being performed.
- (4) All employees have access to the change fund.

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

Response – Based on limited staffing, we will use the resources and practices available to delegate and segregate duties to the best of our ability.

Conclusion – Response accepted.

II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded by the County. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – We will work with all County Departments to make sure all receivables and payables have been reported to the County Auditor for inclusion in the financial statements

Conclusion – Response accepted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-C-12 Credit Cards – The County’s credit card policy states claims for payment of credit card expenses shall include a short statement explaining the charges. In addition, signed copies of the credit card slips and itemized receipts are required, as well as original invoices. For two of three credit card statements tested, signatures on the supporting receipt or invoices were not included. Nine of fifty charges for gas purchases were not supported by a receipt.

Recommendation – The County should implement procedures to ensure the claims for credit card payments adhere to the County’s adopted policy.

Response – We will monitor this more closely to make sure credit card receipts have been signed and detailed receipts are retained with the credit card statements.

Conclusion – Response accepted.

II-D-12 Early Childhood Iowa Annual Financial Report – Fund Balances – Chapter 256I.8 of the Code of Iowa requires the Early Childhood Iowa Area Board (Empowerment Board) to submit an annual report on the effectiveness of the community plan in addressing school readiness and children’s health and safety needs to the state board and to the local government bodies in the area. An annual report template is provided on the Early Childhood Iowa website maintained by the Department of Management.

The annual report submitted for the year ended June 30, 2012 did not reconcile to the Area Board’s financial activity shown in the County Auditor’s reports. The beginning and ending balances reported on the Annual Financial Report were understated \$12,786 and \$57,779 for the Early Childhood and the School Ready Funds, respectively.

Recommendation – The Area Board should prepare the annual report from the reconciled underlying financial records. In addition, supporting schedules documenting the reconciliation between the Annual Financial Report and the County Auditor’s records should be retained.

Response – The Union County Empowerment Board will work closely with the Union County Auditor to reconcile the Annual Financial Report to the County Auditor’s records. The review and comparison of cash balances will become a regular item on the meeting agendas so discrepancies can be researched and corrections can be made in a timely manner.

Conclusion – Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Union 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 reported.

INTERNAL CONTROL DEFICIENCY:

III-A-12 Monitoring - The County entered into an agreement with the Southern Iowa Council of Governments (SICOG) to administer the Community Development Block Grant (CDBG) program. The agreement states SICOG will identify applicable federal and state laws and regulations and assist in complying with federal and state requirements. In addition, the agreement states SICOG will monitor and evaluate the project progress to facilitate compliance with applicable federal and state laws and regulations.

SICOG monitored the CDBG project to ensure compliance with the requirements of Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. However, since the County was the primary recipient of the CDBG program funds, the County retained responsibility to ensure these requirements were met. The County did not maintain documentation indicating program requirements were met.

Recommendation - The County should receive and maintain documentation to ensure all applicable compliance requirements have been met.

Response - We will work more closely with SICOG to make sure documentation is received and maintained to ensure all federal compliance requirements are met.

Conclusion - Response accepted.

Union 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 exceeded the amount budgeted for the debt service function.

Disbursements in certain departments exceeded the amounts appropriated for the year ended June 30, 2012, or during the year ended June 30, 2012, before an amendment was adopted.

In addition, the original appropriation for each department was not published for the year ended June 30, 2012.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Also, the original appropriations should be published.

Response – We have corrected the publication issue and will ensure original appropriations are published. We will be more cognizant of the disbursements made and work to amend the budget before the department or function goes over what has been budgeted.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-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 – No business transactions between the County and County officials or employees were noted.

- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- 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.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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.

IV-J-12 Tax Increment Financing - The County Auditor does not prepare a reconciliation of tax increment financing (TIF) revenue remitted with the amount of debt certified.

Recommendation – The County should prepare reconciliations for each TIF district to reconcile the cumulative TIF tax remitted with the amount of debt certified.

Response – We have begun the reconciliation for each TIF district this fiscal year.

Conclusion – Response accepted.

IV-K-12 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$443,443 at June 30, 2012.

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

Response – With the changes in mental health, we plan to work closely with our CPC and come up with a solution on how the deficit fund balance can be eliminated.

Conclusion – Response accepted.

IV-L-12 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

Except for the item identified in II-D-12, no instances of non-compliance were noted as a result of the audit procedures performed.

Union County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II
Ryan T. Jelsma, Staff Auditor
David C. McQuarry, CPA, Staff Auditor
Thomas S. Hebert, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State