



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ June 26, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on Harrison County, Iowa.

The County had local tax revenue of \$24,620,884 for the year ended June 30, 2012, which included \$916,956 in tax credits from the state. The County forwarded \$17,283,552 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,337,332 of the local tax revenue to finance County operations, a 5.7% increase over the prior year. Other revenues included charges for service of \$1,482,748, operating grants, contributions and restricted interest of \$5,213,891, capital grants, contributions and restricted interest of \$1,846,372, local option sales tax of \$546,939, tax increment financing of \$40,629, unrestricted investment earnings of \$59,787 and other general revenues of \$228,897.

Expenses for County operations totaled \$15,886,499, a 3.9% increase over the prior year. Expenses included \$6,302,928 for roads and transportation, \$2,197,433 for mental health and \$2,120,027 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 Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0043-B00F.pdf>.

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

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Harrison County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gaylord Pitt	Board of Supervisors	Jan 2013
Robert V. Smith	Board of Supervisors	Jan 2015
Walter Utman	Board of Supervisors	Jan 2015
Susan E. Bonham	County Auditor	Jan 2013
Renee King	County Treasurer	Jan 2015
Lorie A. Thompson	County Recorder	Jan 2015
Patrick Sears	County Sheriff	Jan 2013
Jennifer Mumm	County Attorney	Jan 2015
Dennis Alvis	County Assessor	Jan 2016

Harrison County



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Independent Auditor's Report

To the Officials of Harrison County:

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

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Harrison 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 June 6, 2013 on our consideration of Harrison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 50 through 54 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 Harrison 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 year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the eight years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Harrison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities increased 7.5%, or approximately \$1,172,000, from fiscal year 2011 to fiscal year 2012. Capital grants, contributions and restricted interest increased approximately \$1,617,000.
- ◆ Program expenses of the County's governmental activities were 7.5%, or approximately \$593,000, more in fiscal year 2012 than in fiscal year 2011. Roads and transportation and mental health expenses increased approximately \$349,000 and \$340,000, respectively.
- ◆ The County's net assets increased 2.0%, or approximately \$871,000, 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 Harrison County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

- *Governmental activities:* Most of the County's basic services are included here including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.
- *Business type activities:* The County charges fees to help cover the costs of certain services it provides. The County's wastewater disposal system is included here.

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Harrison County's combined net assets increased from approximately \$43.3 million to approximately \$44.2 million. The analysis which follows focuses on the changes in the net assets of governmental and business type activities.

Net Assets of Governmental and Business Type Activities						
(Expressed in Thousands)						
	Governmental		Business Type		Total	
	Activities		Activities			
	June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 20,505	20,908	79	71	20,584	20,979
Capital assets	32,259	31,178	2,209	2,240	34,468	33,418
Total assets	52,764	52,086	2,288	2,311	55,052	54,397
Long-term liabilities	1,970	2,243	731	741	2,701	2,984
Other liabilities	8,152	8,085	-	-	8,152	8,085
Total liabilities	10,122	10,328	731	741	10,853	11,069
Net assets:						
Invested in capital assets, net						
of related debt	31,819	30,523	1,478	1,499	33,297	32,022
Restricted	8,714	9,046	36	26	8,750	9,072
Unrestricted	2,109	2,189	43	45	2,152	2,234
Total net assets	\$ 42,642	41,758	1,557	1,570	44,199	43,328

Net assets of Harrison County's governmental activities increased 2% (approximately \$41.8 million compared to approximately \$42.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component decreased approximately \$332,000, or 3.7%, from the prior year. This decrease is primarily due to decreases in net assets restricted for drainage district and mental health purposes. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$2,189,000 at June 30, 2011 to approximately \$2,109,000 at the end of this year, a decrease of 3.7%.

Changes in Net Assets of Governmental and Business Type Activities						
(Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total	
	June 30, 2012	2011	June 30, 2012	2011	June 30, 2012	2011
Revenues:						
Program revenues:						
Charges for service	\$ 1,434	1,839	49	49	1,483	1,888
Operating grants and contributions	5,214	5,606	-	-	5,214	5,606
Capital grants and contributions	1,846	229	-	-	1,846	229
General revenues:						
Property and other county tax	7,054	6,663	-	-	7,054	6,663
Tax increment financing	41	51	-	-	41	51
Penalty and interest on property tax	76	80	-	-	76	80
State tax credits	283	276	-	-	283	276
Local option sales tax	547	475	-	-	547	475
Unrestricted investment earnings	60	73	-	-	60	73
Other general revenues	153	244	-	-	153	244
Total revenues	16,708	15,536	49	49	16,757	15,585
Program expenses:						
Public safety and legal services	2,120	2,003	-	-	2,120	2,003
Physical health and social services	1,380	1,424	-	-	1,380	1,424
Mental health	2,197	1,857	-	-	2,197	1,857
County environment and education	980	1,268	-	-	980	1,268
Roads and transportation	6,303	5,954	-	-	6,303	5,954
Governmental services to residents	501	474	-	-	501	474
Administration	1,994	1,932	-	-	1,994	1,932
Non-program	313	276	-	-	313	276
Interest on long-term debt	36	43	-	-	36	43
Water and wastewater disposal system	-	-	62	66	62	66
Total expenses	15,824	15,231	62	66	15,886	15,297
Change in net assets	884	305	(13)	(17)	871	288
Net assets beginning of year	41,758	41,453	1,570	1,587	43,328	43,040
Net assets end of year	\$ 42,642	41,758	1,557	1,570	44,199	43,328

Harrison County's net assets of governmental activities increased approximately \$884,000 during the year. Revenues for governmental activities increased approximately \$1,172,000 from the prior year. Capital grants, contributions and restricted interest increased approximately \$1,617,000, primarily due to increases in infrastructure assets contributed by the State of Iowa.

The County's countywide property tax rates decreased \$.13236 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$24,893,000. The countywide assessed property taxable valuation increased approximately \$35,294,000.

The cost of all governmental activities this year was approximately \$15.8 million compared to approximately \$15.2 million last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$7.3 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,434,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7,060,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2012 from approximately \$7,674,000 to approximately \$8,494,000.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As Harrison County completed the year, its governmental funds reported a combined fund balance of approximately \$12.1 million, a decrease of approximately \$375,000 from last year's total of approximately \$12.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$56,000 and expenditures increased approximately \$341,000. Property tax increased as a result of increased property tax valuations. The ending fund balance decreased approximately \$321,000 from the prior year to approximately \$3,763,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,197,000, an increase of 18.4% over the prior year. Revenue decreased slightly from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$156,000 from the prior year.
- Special Revenue, Rural Services Fund revenues increased approximately \$225,000 and expenditures and transfers out increased approximately \$99,000. Property tax increased as a result of an increase in the rural services basic levy and increased rural property tax valuations. The ending fund balance showed a modest increase of approximately \$80,000 over the prior year to approximately \$1,535,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$345,000 and expenditures increased approximately \$491,000. The ending fund balance increased approximately \$75,000 over the prior year to approximately \$5,814,000.

Proprietary Fund Highlights

- The Enterprise, Water and Wastewater Disposal System Fund, which accounts for the operation and maintenance of the County's sanitary sewer system, ended fiscal year 2012 with net assets of \$1,556,806 compared to the prior year ending net asset balance of \$1,570,385.

BUDGETARY HIGHLIGHTS

Over the course of the year, Harrison County amended its budget one time. The amendment was made on May 17, 2012. This amendment was made to provide for additional disbursements for mental health services, an imaging system, set back levees and a conservation cabin.

The County's receipts were \$363,119 more than budgeted, a variance of 2%. The most significant variance resulted from the County receiving more grants and intergovernmental receipts than anticipated.

Total disbursements were \$1,558,172 less than the amended budget. Actual disbursements for the mental health, roads and transportation and capital projects functions were \$222,165, \$802,453 and \$289,027, respectively, less than budgeted.

Even with the budget amendment, the County exceeded the budgeted amounts in the county environment and education and governmental services to residents functions for the year ended June 30, 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Harrison County had approximately \$34.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,050,000, or 3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 2,086	2,086
Construction in progress	445	507
Buildings and improvements	3,831	3,969
Equipment and vehicles	4,114	3,906
Intangibles	847	847
Infrastructure	20,936	19,863
Total	<u>\$ 32,259</u>	<u>31,178</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation		\$ 1,588
Replacement of Secondary Roads equipment and vehicles		741
Conservation projects		445
County Sheriff, conservation and planning and zoning vehicles		137
Total		<u>\$ 2,911</u>

Capital Assets of Business Type Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Infrastructure	\$ 2,209	2,240

For governmental activities, the County had depreciation expense of \$1,740,272 in fiscal year 2012 and total accumulated depreciation of \$22,771,563 at June 30, 2012. Capital assets for business type activities totaled \$2,208,569 (net of accumulated depreciation) at June 30, 2012. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, Harrison County had approximately \$754,000 of general obligation notes and other debt outstanding, compared to approximately \$1,055,000 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation notes	\$ 440	870
Drainage warrants	314	185
Total	\$ 754	1,055

Outstanding Debt of Business Type Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
USDA sewer revenue notes	\$ 731	741

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Harrison County's outstanding general obligation debt of \$440,000 is significantly below its constitutional debt limit of approximately \$56.6 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Harrison County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.5% versus 5.3% a year ago. This compares with the State's unemployment rate of 5.3% and the national rate of 8.2%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$23.6 million, a decrease of 4.0% from the final fiscal year 2012 budget. Budgeted disbursements are expected to decrease 1.1% from the final fiscal year 2012 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,023,000 by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Harrison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Harrison County Auditor's Office, 111 North Second Ave., Logan, IA 51546.

Basic Financial Statements

Harrison County

Harrison County
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 10,317,402	67,187	10,384,589
Receivables:			
Property tax:			
Delinquent	13,822	-	13,822
Succeeding year	7,423,000	-	7,423,000
Interest and penalty on property tax	17,380	-	17,380
Accounts	16,819	12,096	28,915
Accrued interest	1,734	-	1,734
Drainage assessments - succeeding year	243,484	-	243,484
Due from other governments	441,536	-	441,536
Inventories	1,989,720	-	1,989,720
Prepaid items	24,816	-	24,816
Bond issuance costs	15,241	-	15,241
Capital assets, net of accumulated depreciation	32,259,315	2,208,569	34,467,884
Total assets	52,764,269	2,287,852	55,052,121
Liabilities			
Accounts payable	271,437	-	271,437
Accrued interest payable	13,737	-	13,737
Salaries and benefits payable	36,193	-	36,193
Due to other governments	407,741	-	407,741
Deferred revenue:			
Succeeding year property tax	7,423,000	-	7,423,000
Long-term liabilities:			
Portion due or payable within one year:			
USDA sewer revenue notes	-	9,555	9,555
General obligation notes	215,000	-	215,000
Compensated absences	196,515	-	196,515
Portion due or payable after one year:			
USDA sewer revenue notes	-	721,491	721,491
General obligation notes	225,000	-	225,000
Compensated absences	881,312	-	881,312
Drainage warrants	314,253	-	314,253
Net OPEB liability	138,400	-	138,400
Total liabilities	10,122,588	731,046	10,853,634
Net Assets			
Invested in capital assets, net of related debt	31,819,315	1,477,523	33,296,838
Restricted for:			
Supplemental levy purposes	1,011,483	-	1,011,483
Mental health purposes	571,592	-	571,592
Rural services purposes	1,533,185	-	1,533,185
Secondary roads purposes	5,012,003	-	5,012,003
Debt service	13,436	23,634	37,070
Capital projects	-	12,904	12,904
Drainage district purposes	52,664	-	52,664
Other purposes	518,773	-	518,773
Unrestricted	2,109,230	42,745	2,151,975
Total net assets	\$ 42,641,681	1,556,806	44,198,487

See notes to financial statements.

Harrison County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,120,027	193,789	34,532	-
Physical health and social services	1,379,722	492,536	403,592	-
Mental health	2,197,433	-	1,125,939	-
County environment and education	979,726	204,682	30,256	258,853
Roads and transportation	6,302,928	42,860	3,474,561	1,587,519
Governmental services to residents	500,945	283,221	23	-
Administration	1,994,366	37,506	26,076	-
Non-program	299,982	179,770	114,899	-
Interest on long-term debt	49,407	-	4,013	-
Total governmental activities	15,824,536	1,434,364	5,213,891	1,846,372
Business type activities:				
Water and wastewater disposal system	61,963	48,384	-	-
Total	\$ 15,886,499	1,482,748	5,213,891	1,846,372

General Revenues:

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Gain on disposition of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,891,706)	-	(1,891,706)
(483,594)	-	(483,594)
(1,071,494)	-	(1,071,494)
(485,935)	-	(485,935)
(1,197,988)	-	(1,197,988)
(217,701)	-	(217,701)
(1,930,784)	-	(1,930,784)
(5,313)	-	(5,313)
(45,394)	-	(45,394)
(7,329,909)	-	(7,329,909)
-	(13,579)	(13,579)
(7,329,909)	(13,579)	(7,343,488)
6,822,898	-	6,822,898
231,331	-	231,331
40,629	-	40,629
75,984	-	75,984
283,103	-	283,103
546,939	-	546,939
59,787	-	59,787
77,331	-	77,331
75,582	-	75,582
8,213,584	-	8,213,584
883,675	(13,579)	870,096
41,758,006	1,570,385	43,328,391
\$ 42,641,681	1,556,806	44,198,487

Harrison County
Balance Sheet
Governmental Funds

June 30, 2012

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 3,721,490	947,983	1,510,851
Receivables:			
Property tax:			
Delinquent	9,956	1,898	1,472
Succeeding year	4,612,000	880,000	1,715,000
Interest and penalty on property tax	17,380	-	-
Accounts	14,294	-	2,525
Accrued interest	1,734	-	-
Succeeding year drainage assessments	-	-	-
Due from other funds	1,517	-	-
Due from other governments	118,238	-	21,824
Inventories	-	-	-
Prepaid items	24,816	-	-
Total assets	\$ 8,521,425	1,829,881	3,251,672
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 58,966	30,155	283
Salaries and benefits payable	3,551	-	-
Due to other funds	-	-	-
Due to other governments	56,669	348,134	625
Deferred revenue:			
Succeeding year property tax	4,612,000	880,000	1,715,000
Other	27,289	1,751	1,185
Total liabilities	4,758,475	1,260,040	1,717,093
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	24,816	-	-
Restricted for:			
Supplemental levy purposes	1,053,376	-	-
Mental health purposes	-	569,841	-
Rural services purposes	-	-	1,534,579
Secondary roads purposes	-	-	-
Drainage warrants	-	-	-
Conservation land acquisition	174,095	-	-
Other purposes	83,675	-	-
Assigned for conservation	122,785	-	-
Unassigned	2,304,203	-	-
Total fund balances	3,762,950	569,841	1,534,579
Total liabilities and fund balances	\$ 8,521,425	1,829,881	3,251,672

See notes to financial statements.

Secondary Roads	Nonmajor	Total
3,711,825	425,253	10,317,402
-	496	13,822
-	216,000	7,423,000
-	-	17,380
-	-	16,819
-	-	1,734
-	243,484	243,484
-	-	1,517
285,184	16,290	441,536
1,989,720	-	1,989,720
-	-	24,816
<u>5,986,729</u>	<u>901,523</u>	<u>20,491,230</u>
137,879	44,154	271,437
32,642	-	36,193
-	1,517	1,517
2,313	-	407,741
-	216,000	7,423,000
-	260,234	290,459
<u>172,834</u>	<u>521,905</u>	<u>8,430,347</u>
1,989,720	-	1,989,720
-	-	24,816
-	-	1,053,376
-	-	569,841
-	-	1,534,579
3,824,175	-	3,824,175
-	120,096	120,096
-	-	174,095
-	261,003	344,678
-	-	122,785
-	(1,481)	2,302,722
<u>5,813,895</u>	<u>379,618</u>	<u>12,060,883</u>
<u>5,986,729</u>	<u>901,523</u>	<u>20,491,230</u>

Harrison County

Harrison County

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

June 30, 2012

Total governmental fund balances (page 21) \$ 12,060,883

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 \$55,030,878 and the accumulated depreciation is \$22,771,563. 32,259,315

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 290,459

Bond issuance costs in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. 15,241

Long-term liabilities, including notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,984,217)

Net assets of governmental activities (page 17) \$ 42,641,681

See notes to financial statements.

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,323,397	880,119	1,623,310
Local option sales tax	-	-	136,734
Interest and penalty on property tax	65,004	-	-
Intergovernmental	1,165,210	1,156,862	63,663
Licenses and permits	18,800	-	1,025
Charges for service	578,717	-	-
Use of money and property	133,174	-	-
Fines, forfeitures and defaults	39,033	-	-
Miscellaneous	311,710	4,646	1,500
Total revenues	6,635,045	2,041,627	1,826,232
Expenditures:			
Operating:			
Public safety and legal services	1,947,724	-	88,114
Physical health and social services	1,357,336	-	697
Mental health	-	2,197,433	-
County environment and education	622,523	-	197,750
Roads and transportation	-	-	-
Governmental services to residents	483,247	-	-
Administration	1,925,661	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	490,797	-	-
Total expenditures	6,827,288	2,197,433	286,561
Excess (deficiency) of revenues over (under) expenditures	(192,243)	(155,806)	1,539,671
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(129,210)	-	(1,459,900)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(129,210)	-	(1,459,900)
Change in fund balances	(321,453)	(155,806)	79,771
Fund balances beginning of year	4,084,403	725,647	1,454,808
Fund balances end of year	\$ 3,762,950	569,841	1,534,579

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	271,500	7,098,326
410,205	-	546,939
-	-	65,004
3,374,342	200,490	5,960,567
5,895	-	25,720
702	3,308	582,727
-	376	133,550
-	-	39,033
166,926	183,432	668,214
<u>3,958,070</u>	<u>659,106</u>	<u>15,120,080</u>
-	-	2,035,838
-	-	1,358,033
-	-	2,197,433
-	57,311	877,584
5,363,814	-	5,363,814
-	5,001	488,248
-	-	1,925,661
-	299,982	299,982
-	615,016	615,016
88,647	40,520	619,964
<u>5,452,461</u>	<u>1,017,830</u>	<u>15,781,573</u>
<u>(1,494,391)</u>	<u>(358,724)</u>	<u>(661,493)</u>
1,569,110	20,000	1,589,110
-	-	(1,589,110)
-	284,874	284,874
<u>1,569,110</u>	<u>304,874</u>	<u>284,874</u>
74,719	(53,850)	(376,619)
<u>5,739,176</u>	<u>433,468</u>	<u>12,437,502</u>
<u>5,813,895</u>	<u>379,618</u>	<u>12,060,883</u>

Harrison County

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

Year ended June 30, 2012

Change in fund balances - Total governmental funds (page 25) \$ (376,619)

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

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

Expenditures for capital assets	\$ 1,160,275	
Capital assets contributed by the Iowa Department of	1,587,519	
Depreciation expense	<u>(1,740,272)</u>	1,007,522

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

73,331

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(3,468)	
Other	<u>(69,251)</u>	(72,719)

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

Issued	(284,874)	
Repaid	<u>586,061</u>	301,187

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	(14,175)	
Other postemployment benefits	(14,400)	
Amortization of bond issuance costs	(7,865)	
Interest on long-term debt	<u>(12,587)</u>	<u>(49,027)</u>

Change in net assets of governmental activities (page 19) \$ 883,675

See notes to financial statements.

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

	<u>Enterprise</u>
	<u>Water and</u>
	<u>Wastewater</u>
	<u>Disposal</u>
	<u>System</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 67,187
Accounts receivable	12,096
Total current assets	<u>79,283</u>
Capital assets, net of accumulated depreciation	<u>2,208,569</u>
Total assets	<u>2,287,852</u>
Liabilities	
Current liabilities:	
USDA sewer revenue notes	9,555
Long-term liabilities:	
USDA sewer revenue notes	721,491
Total liabilities	<u>731,046</u>
Net Assets	
Invested in capital assets, net of related debt	1,477,523
Restricted for:	
Debt service	23,634
Capital projects	12,904
Unrestricted	<u>42,745</u>
Total net assets	<u>\$ 1,556,806</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2012

	<u>Enterprise</u>
	<u>Water and</u>
	<u>Wastewater</u>
	<u>Disposal</u>
	<u>System</u>
Operating revenues:	
Charges for service	<u>\$ 48,384</u>
Operating expenses:	
Depreciation	31,106
Miscellaneous	500
Total operating expenses	<u>31,606</u>
Operating income	16,778
Non-operating expense:	
Interest expense	<u>(30,357)</u>
Change in net assets	(13,579)
Net assets beginning of year	<u>1,570,385</u>
Net assets end of year	<u><u>\$ 1,556,806</u></u>

See notes to financial statements.

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

	<u>Enterprise</u> <u>Water and</u> <u>Wastewater</u> <u>Disposal</u> <u>System</u>
Cash flows from operating activities:	
Cash received from sewer fees	\$ 40,320
Cash paid to suppliers for services	(500)
Net cash provided by operating activities	<u>39,820</u>
Cash flows from capital and related financing activities:	
Principal paid on USDA sewer revenue notes	(9,722)
Interest paid on USDA sewer revenue notes	(30,357)
Net cash used by capital and related financing activities	<u>(40,079)</u>
Net decrease in cash and cash equivalents	(259)
Cash and cash equivalents beginning of year	<u>67,446</u>
Cash and cash equivalents end of year	<u>\$ 67,187</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,778
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	31,106
Increase in accounts receivable	(8,064)
Net cash provided by operating activities	<u>\$ 39,820</u>

See notes to financial statements.

Harrison County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,296,570
Other County officials	55,207
Receivables:	
Property tax receivable:	
Delinquent	51,061
Succeeding year	16,647,000
Accounts	30,563
Accrued interest	212
Drainage assessments	197,137
Special assessments	57,722
Due from other governments	173,587
Total assets	<u>18,509,059</u>

Liabilities

Accounts payable	77,723
Stamped warrants payable	256,291
Salaries and benefits payable	2,702
Due to other governments	18,074,485
Trusts payable	18,944
Compensated absences	78,914
Total liabilities	<u>18,509,059</u>

Net assets \$ -

See notes to financial statements.

Harrison County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or are 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 and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The County reports the following major proprietary fund:

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

The County also reports fiduciary funds which focus on net assets and changes in net assets. The County's fiduciary funds include Agency Funds which are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. Upon retirement, Secondary Roads employees may elect to convert up to 1,488 hours of accumulated sick leave to cash to be accounted for in the Special Revenue, Secondary Roads Fund and used for continued health care coverage. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

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

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

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

Assigned – Amounts the Board of Supervisors or County Auditor intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the county environment and education and governmental services to residents functions and disbursements in the mental health department exceeded the amount appropriated. In addition, disbursements in certain other departments exceeded the amounts appropriated prior to appropriation amendments.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	<u>\$ 1,517</u>

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

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 129,210
	Special Revenue: Rural Services	1,439,900
		<u>1,569,110</u>
Special Revenue: Flood and Erosion	Special Revenue: Rural Services	20,000
Total		<u>\$ 1,589,110</u>

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

(5) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>		<u>End</u>	
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,086,264	-	-	2,086,264
Intangibles, road network	847,147	-	-	847,147
Construction in progress	507,172	2,032,474	(2,094,646)	445,000
Total capital assets not being depreciated	<u>3,440,583</u>	<u>2,032,474</u>	<u>(2,094,646)</u>	<u>3,378,411</u>
Capital assets being depreciated:				
Buildings	5,885,004	-	-	5,885,004
Equipment and vehicles	8,446,441	878,817	(407,120)	8,918,138
Infrastructure, road network and other	34,754,676	2,094,649	-	36,849,325
Total capital assets being depreciated	<u>49,086,121</u>	<u>2,973,466</u>	<u>(407,120)</u>	<u>51,652,467</u>
Less accumulated depreciation for:				
Buildings	1,915,623	138,857	-	2,054,480
Equipment and vehicles	4,540,497	580,270	(316,951)	4,803,816
Infrastructure, road network and other	14,892,122	1,021,145	-	15,913,267
Total accumulated depreciation	<u>21,348,242</u>	<u>1,740,272</u>	<u>(316,951)</u>	<u>22,771,563</u>
Total capital assets being depreciated, net	<u>27,737,879</u>	<u>1,233,194</u>	<u>(90,169)</u>	<u>28,880,904</u>
Governmental activities capital assets, net	<u>\$ 31,178,462</u>	<u>3,265,668</u>	<u>(2,184,815)</u>	<u>32,259,315</u>
Business type activities:				
Capital assets being depreciated:				
Infrastructure	\$ 2,332,995	-	-	2,332,995
Less accumulated depreciation for:				
Infrastructure	93,320	31,106	-	124,426
Total capital assets being depreciated, net	<u>\$ 2,239,675</u>	<u>(31,106)</u>	<u>-</u>	<u>2,208,569</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 97,494
Physical health and social services		20,397
County environment and education		67,435
Roads and transportation		1,472,300
Governmental services to residents		19,073
Administration		63,573
Total depreciation expense - governmental activities		<u>\$ 1,740,272</u>
Business type activities:		
Water and wastewater disposal system		<u>\$ 31,106</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 56,669</u>
Special Revenue:		
Mental Health	Services	348,134
Rural Services	Services	625
Secondary Roads	Services	2,313
		<u>351,072</u>
Total for governmental funds		<u>\$ 407,741</u>
Agency:		
County Offices	Collections	\$ 41,194
Agricultural Extension Education		197,733
County Assessor		278,640
Schools		12,013,184
Community Colleges		815,469
Corporations		3,437,989
Townships		326,736
Auto License and Use Tax		307,259
Drainage Districts		248,707
E911 Service Commission		197,904
All other		209,670
Total for agency funds		<u>\$ 18,074,485</u>

(7) Long-Term Liabilities

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

	General Obligation Notes	Drainage Warrants	Compen- sated Absences	Net OPEB Liability	Total
Governmental activities:					
Balance beginning of year	\$ 870,000	185,440	1,063,652	124,000	2,243,092
Increases	-	284,874	382,386	20,500	687,760
Decreases	430,000	156,061	368,211	6,100	960,372
Balance end of year	\$ 440,000	314,253	1,077,827	138,400	1,970,480
Due within one year	\$ 215,000	-	196,515	-	411,515
				USDA Sewer Revenue Notes	
Business type activities:					
Balance beginning of year		\$ 740,768			
Increases		-			
Decreases		9,722			
Balance end of year		\$ 731,046			
Due within one year		\$ 9,555			

General Obligation Notes Payable

Details of the County's June 30, 2012 general obligation note indebtedness are as follows:

Year Ending June 30,	Series 2003 Geo Thermal Issued Dec 1, 2003			Series 2009 Landfill and Jail Issued Jun 1, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.70%	\$ 60,000	3,613	2.00%	\$ 155,000	6,620
2014	3.85	65,000	1,251	2.20	160,000	3,520
Total		\$ 125,000	4,864		\$ 315,000	10,140
Year Ending June 30,	Total					
	Principal	Interest	Total			
2013	\$ 215,000	10,233	225,233			
2014	225,000	4,771	229,771			
Total	\$ 440,000	15,004	455,004			

During the year ended June 30, 2012, the County retired \$430,000 of general obligation notes.

USDA Sewer Revenue Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.125-4.250%	\$ 9,555	30,724	40,279
2014	4.125-4.250	9,956	30,323	40,279
2015	4.125-4.250	10,375	29,904	40,279
2016	4.125-4.250	10,811	29,468	40,279
2017	4.125-4.250	11,264	29,015	40,279
2018-2022	4.125-4.250	63,832	137,563	201,395
2023-2027	4.125-4.250	78,409	122,986	201,395
2028-2032	4.125-4.250	96,319	105,076	201,395
2033-2037	4.125-4.250	118,320	83,075	201,395
2038-2042	4.125-4.250	145,350	56,045	201,395
2043-2047	4.125-4.250	176,855	22,841	199,696
Total		\$ 731,046	677,020	1,408,066

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$758,000 of sewer revenue notes issued in June 2008. The notes mature annually on July 1 and bear interest at 4.125% to 4.250% per annum, which is also due and payable on July 1. Proceeds from the notes provided financing for the construction of new water and waste disposal systems in the Little Sioux and River Sioux communities. The notes are payable solely from sewer customer net revenues and are payable through 2047. The total principal and interest remaining to be paid on the notes is \$1,408,066. For the current year, principal and interest paid and total customer net revenues were \$40,279 and \$16,778, respectively.

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

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

Drainage Warrants Payable

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

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

(8) Economic Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to make economic development payments in exchange for the costs of construction improvements incurred by the developer. The incremental property tax received by the County from the developer will be paid for a period of 10 years, or through fiscal year 2012, in an amount which represents 62.71% of the incremental property tax, up to a maximum of \$550,000. The County retains the remaining incremental property tax to be used in accordance with Chapter 403.22 of the Code of Iowa. Total payments of \$205,919 have been paid as of June 30, 2012, including the final payment of \$25,478 made during the year ended June 30, 2012.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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 \$433,575, \$348,465 and \$327,602, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 113 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 22,500
Interest on net OPEB obligation	5,600
Adjustment to annual required contribution	<u>(7,600)</u>
Annual OPEB cost	20,500
Contributions made	<u>(6,100)</u>
Increase in net OPEB obligation	14,400
Net OPEB obligation beginning of year	<u>124,000</u>
Net OPEB obligation end of year	<u>\$ 138,400</u>

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

For the year ended June 30, 2012, the County contributed \$6,100 to the medical plan. Plan members eligible for benefits did not make any contributions during the year.

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	\$ 62,610	45.4%	\$ 68,340
2011	63,000	11.7	124,000
2012	20,500	29.8	138,400

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability (AAL) was \$181,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,424,000 and the ratio of the UAAL to covered payroll was 4.1%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. The valuation dated July 1, 2011 excludes the sick leave liability for future retirees since the liability is included in compensated absences. As a result, the AAL was reduced for the year ended June 30, 2012.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-2 table.

Projected claim costs of the medical plan range from \$584 to \$1,786 per month for retirees less than age 65. The salary increase rate was assumed to be 2.75% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

(11) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$229,633.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(12) Secondary Roads Department Insurance Benefit

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

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

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

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

For the year ended June 30, 2012, six employees have retired and received benefits totaling \$22,314 under the program.

(13) Deficit Fund Balance

The Debt Service Fund had an unassigned deficit fund balance of \$1,481 at June 30, 2012. The County plans to eliminate the deficit with future property tax revenue.

(14) Financial Assurance

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

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2012 are \$2,413,649 and the County's financial assurance obligation amount is \$1,585,515. At June 30, 2012, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

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

Harrison County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,647,926	-	7,647,926
Interest and penalty on property tax	75,366	-	75,366
Intergovernmental	6,125,337	165,947	5,959,390
Licenses and permits	27,695	-	27,695
Charges for service	580,562	-	580,562
Use of money and property	141,990	-	141,990
Miscellaneous	974,934	180,074	794,860
Total receipts	<u>15,573,810</u>	<u>346,021</u>	<u>15,227,789</u>
Disbursements:			
Public safety and legal services	2,073,968	-	2,073,968
Physical health and social services	1,390,604	-	1,390,604
Mental health	2,334,135	-	2,334,135
County environment and education	896,333	-	896,333
Roads and transportation	4,700,693	-	4,700,693
Governmental services to residents	493,835	-	493,835
Administration	1,820,213	-	1,820,213
Non-program	348,345	348,345	-
Debt service	615,016	165,149	449,867
Capital projects	665,803	-	665,803
Total disbursements	<u>15,338,945</u>	<u>513,494</u>	<u>14,825,451</u>
Excess (deficiency) of receipts over (under) disbursements	234,865	(167,473)	402,338
Other financing sources, net	284,874	284,874	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	519,739	117,401	402,338
Balance beginning of year	9,797,663	44,979	9,752,684
Balance end of year	<u>\$ 10,317,402</u>	<u>162,380</u>	<u>10,155,022</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Net Variance
Original	Final	
7,516,900	7,516,900	131,026
51,500	51,500	23,866
5,308,945	5,737,945	221,445
32,625	32,625	(4,930)
536,375	536,375	44,187
265,960	265,960	(123,970)
608,365	723,365	71,495
<u>14,320,670</u>	<u>14,864,670</u>	<u>363,119</u>
2,100,547	2,100,547	26,579
1,570,525	1,579,725	189,121
2,056,300	2,556,300	222,165
869,459	869,459	(26,874)
5,455,000	5,503,146	802,453
480,642	489,642	(4,193)
1,869,859	1,879,859	59,646
-	-	-
448,615	450,115	248
765,830	954,830	289,027
<u>15,616,777</u>	<u>16,383,623</u>	<u>1,558,172</u>
(1,296,107)	(1,518,953)	1,921,291
-	-	-
(1,296,107)	(1,518,953)	1,921,291
7,864,711	9,720,659	32,025
<u>6,568,604</u>	<u>8,201,706</u>	<u>1,953,316</u>

Harrison 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	\$ 15,573,810	(453,730)	15,120,080
Expenditures	15,338,945	442,628	15,781,573
Net	234,865	(896,358)	(661,493)
Other financing sources, net	284,874	-	284,874
Beginning fund balances	9,797,663	2,639,839	12,437,502
Ending fund balances	\$ 10,317,402	1,743,481	12,060,883

See accompanying independent auditor's report.

Harrison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$766,846. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the county environment and education and governmental services to residents functions and disbursements in the mental health department exceeded the amount appropriated. In addition, disbursements in certain other departments exceeded the amounts appropriated prior to appropriation amendments.

Harrison County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 631	631	0.0%	\$ 4,600	13.7%
2011	Jul 1, 2008	-	631	631	0.0	4,208	15.0
2012	Jul 1, 2011	-	181	181	0.0	4,424	4.1

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

See accompanying independent auditor's report.

Supplementary Information

Harrison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Urban Renewal Revenue	Special Resource Enhance- ment and Protection
Assets			
Cash and pooled investments	\$ 2,354	122,448	29,219
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Succeeding year drainage assessments	-	-	-
Due from other governments	-	-	-
Total assets	\$ 2,354	122,448	29,219
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Drainage warrants	-	-	-
Other purposes	2,354	122,448	29,219
Unassigned	-	-	-
Total fund balances	2,354	122,448	29,219
Total liabilities and fund balances	\$ 2,354	122,448	29,219

See accompanying independent auditor's report.

Revenue						
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total	
92,546	1,600	14,706	162,380	-	425,253	
-	-	-	-	496	496	
-	-	-	-	216,000	216,000	
-	-	-	243,484	-	243,484	
-	-	-	16,290	-	16,290	
92,546	1,600	14,706	422,154	216,496	901,523	
1,870	-	-	42,284	-	44,154	
-	-	-	-	1,517	1,517	
-	-	-	-	216,000	216,000	
-	-	-	259,774	460	260,234	
1,870	-	-	302,058	217,977	521,905	
-	-	-	120,096	-	120,096	
90,676	1,600	14,706	-	-	261,003	
-	-	-	-	(1,481)	(1,481)	
90,676	1,600	14,706	120,096	(1,481)	379,618	
92,546	1,600	14,706	422,154	216,496	901,523	

Harrison County

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

Year ended June 30, 2012

	County Recorder's Records Management	Urban Renewal Revenue	Special Resource Enhance- ment and Protection
Revenues:			
Property and other county tax	\$ -	40,629	-
Intergovernmental	-	-	11,348
Charges for service	3,233	-	-
Use of money and property	23	-	353
Miscellaneous	-	-	-
Total revenues	3,256	40,629	11,701
Expenditures:			
Operating:			
County environment and education	-	25,478	-
Governmental services to residents	5,001	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	40,520
Total expenditures	5,001	25,478	40,520
Excess (deficiency) of revenues over (under) expenditures	(1,745)	15,151	(28,819)
Other financing sources:			
Operating transfers in	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources	-	-	-
Change in fund balances	(1,745)	15,151	(28,819)
Fund balances beginning of year	4,099	107,297	58,038
Fund balances end of year	\$ 2,354	122,448	29,219

See accompanying independent auditor's report.

Revenue						
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total	
-	-	-	-	230,871	271,500	
13,909	-	-	165,947	9,286	200,490	
-	-	75	-	-	3,308	
-	-	-	-	-	376	
-	-	-	179,419	4,013	183,432	
13,909	-	75	345,366	244,170	659,106	
31,833	-	-	-	-	57,311	
-	-	-	-	-	5,001	
-	-	-	299,982	-	299,982	
-	-	-	165,149	449,867	615,016	
-	-	-	-	-	40,520	
31,833	-	-	465,131	449,867	1,017,830	
(17,924)	-	75	(119,765)	(205,697)	(358,724)	
20,000	-	-	-	-	20,000	
-	-	-	284,874	-	284,874	
20,000	-	-	284,874	-	304,874	
2,076	-	75	165,109	(205,697)	(53,850)	
88,600	1,600	14,631	(45,013)	204,216	433,468	
90,676	1,600	14,706	120,096	(1,481)	379,618	

Harrison County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	6,320	91,493	162,070
Other County officials	55,207	-	-	-
Receivables:				
Property tax:				
Delinquent	-	413	474	26,114
Succeeding year	-	191,000	219,000	11,825,000
Accounts	1,525	-	-	-
Accrued interest				
Succeeding year drainage assessments	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 56,732	197,733	310,967	12,013,184
Liabilities				
Accounts payable	\$ -	-	3,181	-
Stamped warrants payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	41,194	197,733	278,640	12,013,184
Trusts payable	15,538	-	-	-
Compensated absences	-	-	29,146	-
Total liabilities	\$ 56,732	197,733	310,967	12,013,184

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
7,695	77,368	3,354	307,259	227,449	172,480	241,082	1,296,570
-	-	-	-	-	-	-	55,207
1,774	21,899	382	-	-	-	5	51,061
806,000	3,281,000	323,000	-	-	-	2,000	16,647,000
-	-	-	-	-	29,038	-	30,563
-	-	-	-	212	-	-	212
-	-	-	-	197,137	-	-	197,137
-	57,722	-	-	-	-	-	57,722
-	-	-	-	148,708	-	24,879	173,587
815,469	3,437,989	326,736	307,259	573,506	201,518	267,966	18,509,059
-	-	-	-	68,508	3,614	2,420	77,723
-	-	-	-	256,291	-	-	256,291
-	-	-	-	-	-	2,702	2,702
815,469	3,437,989	326,736	307,259	248,707	197,904	209,670	18,074,485
-	-	-	-	-	-	3,406	18,944
-	-	-	-	-	-	49,768	78,914
815,469	3,437,989	326,736	307,259	573,506	201,518	267,966	18,509,059

Harrison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 68,599	177,453	295,152	11,614,956
Additions:				
Property and other county tax	-	191,377	219,874	11,840,091
E911 surcharge	-	-	-	-
State tax credits	-	6,810	9,295	455,790
Drivers license fees	-	-	-	-
Office fees and collections	516,327	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	99,962	-	-	-
Miscellaneous	-	9	156	618
Total additions	616,289	198,196	229,325	12,296,499
Deductions:				
Agency remittances:				
To other funds	266,169	-	-	-
To other governments	258,279	177,916	213,510	11,898,271
Trusts paid out	103,708	-	-	-
Total deductions	628,156	177,916	213,510	11,898,271
Balances end of year	\$ 56,732	197,733	310,967	12,013,184

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
556,102	3,409,661	306,292	343,725	1,151,591	157,986	246,370	18,327,887
807,201	3,263,945	325,083	-	-	-	2,128	16,649,699
-	-	-	-	-	124,742	-	124,742
21,899	128,350	11,622	-	-	-	87	633,853
-	-	-	42,443	-	-	-	42,443
-	-	-	-	-	-	-	516,327
-	-	-	4,670,021	-	-	-	4,670,021
-	37,278	-	-	172,741	-	-	210,019
-	-	-	-	-	-	308,997	408,959
29	-	3,971	-	214,281	5,283	521,446	745,793
829,129	3,429,573	340,676	4,712,464	387,022	130,025	832,658	24,001,856
-	-	-	173,602	-	-	-	439,771
569,762	3,401,245	320,232	4,575,328	1,221,398	86,493	501,950	23,224,384
-	-	-	-	-	-	309,112	412,820
569,762	3,401,245	320,232	4,748,930	1,221,398	86,493	811,062	24,076,975
815,469	3,437,989	326,736	307,259	317,215	201,518	267,966	18,252,768

Harrison County

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

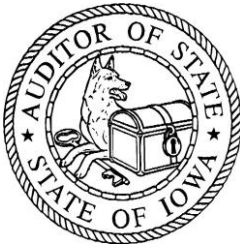
For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 7,098,326	6,714,586	6,324,557	6,188,195
Local option sales tax	546,939	475,243	447,734	477,574
Interest and penalty on property tax	65,004	74,186	60,545	53,180
Intergovernmental	5,960,567	6,324,666	6,481,561	5,789,828
Licenses and permits	25,720	24,442	36,719	33,362
Charges for service	582,727	639,350	1,345,004	1,370,879
Use of money and property	133,550	147,662	77,311	163,130
Fines, forfeitures and defaults	39,033	21,498	-	-
Miscellaneous	668,214	713,221	665,874	760,792
Total	\$ 15,120,080	15,134,854	15,439,305	14,836,940
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,035,838	1,955,517	1,719,725	1,907,119
Physical health and social services	1,358,033	1,357,012	1,336,131	1,594,390
Mental health	2,197,433	1,856,540	1,629,060	1,786,275
County environment and education	877,584	879,407	1,526,616	2,309,032
Roads and transportation	5,363,814	4,687,625	4,479,948	4,523,788
Governmental services to residents	488,248	456,336	441,937	507,148
Administration	1,925,661	1,915,157	1,735,155	1,679,182
Non-program	312,935	276,279	-	-
Debt service	615,016	465,855	493,923	515,633
Capital projects	619,964	579,323	1,541,345	-
Total	\$ 15,794,526	14,429,051	14,903,840	14,822,567

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
5,875,034	5,729,568	5,336,897	5,491,423	5,508,332	5,126,278
465,664	425,289	462,321	431,509	-	-
50,829	57,510	59,258	68,493	64,713	62,013
5,194,003	4,776,739	4,677,346	4,029,136	3,905,289	4,618,679
23,574	23,574	22,645	25,131	22,815	26,124
1,345,927	1,422,647	1,349,341	1,174,042	1,379,268	1,186,862
329,746	387,284	317,305	193,104	185,799	264,786
-	-	-	-	-	-
814,032	798,075	867,002	550,539	674,031	702,420
14,098,809	13,620,686	13,092,115	11,963,377	11,740,247	11,987,162
1,865,471	1,782,628	1,749,112	1,693,019	1,809,631	1,666,704
1,711,280	1,448,676	1,382,657	1,260,780	1,328,820	1,188,618
2,022,201	1,801,955	1,518,473	1,553,127	1,455,268	1,581,159
1,196,058	1,294,395	1,002,246	1,014,956	989,878	1,028,875
5,065,406	5,246,078	5,244,431	4,594,896	4,555,537	4,383,475
484,491	431,554	559,230	381,416	383,434	419,768
1,292,617	1,288,661	1,086,407	1,029,062	1,061,809	1,122,944
-	-	-	-	-	-
480,546	567,026	564,952	566,562	508,414	499,709
-	185,004	59,645	203,801	732,215	424,112
14,118,070	14,045,977	13,167,153	12,297,619	12,825,006	12,315,364

Harrison County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Harrison County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harrison County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 6, 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 Harrison County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Harrison County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harrison County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, 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 the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (L) to be significant deficiencies.

Compliance and Other Matters


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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Harrison County and other parties to whom Harrison County may report, and is not intended to be and should not be used by anyone other than these specified parties.

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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 6, 2013

Harrison County
Schedule of Findings
Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Extension Office, Sheriff's Civil Division and Jail, Engineer and Conservation/ Welcome Center
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. An independent person does not periodically review the bank reconciliation for propriety.	Treasurer, Recorder and Sheriff's Civil Division and Jail
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts	Recorder and Sheriff's Civil Division and Jail
(4) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. The initial listing is not compared to receipt records by an independent person and is not signed or initialed to evidence review.	Extension Office, Sheriff's Civil Division and Jail, Engineer and Conservation/ Welcome Center
(5) A listing of cash and checks received in the mail is not prepared.	Treasurer and Conservation/ Welcome Center
(6) The person who prepares a summary of tax collections also reconciles delinquencies at year end. There is no evidence an independent person reviews reconciliations for propriety.	Treasurer
(7) There is no evidence of review and approval of journal entries, including tax abatements.	Auditor and Treasurer

Harrison County

Schedule of Findings

Year ended June 30, 2012

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of the review of reconciliations and receipts should be indicated by the signature or initials of the independent reviewer and the date of review.

Responses –

Extension Office - We will also have an individual open the mail periodically and compile a list of the checks received.

Recorder – We will have improved and will continue to improve on segregating duties.

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

Engineer – We will include the initials and date of the individual performing an independent review of the miscellaneous receipts.

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

Treasurer – We are keeping a log of mail receipts. The listing will be compared to receipt and deposit records. The tax reconciliations and tax abatements will be reviewed. We have another office person trained in the bank reconciliation duties so there will always be two people checking and initialing the work. Approval of journal entries will be documented.

Auditor – We have started the practice of having another employee initial journal entries.

Conclusions – Responses accepted.

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

Recommendation – The County should implement procedures to ensure all receivables, capital asset additions and deletions are identified and properly included in the County's financial statements.

Response – We will work on improving this area.

Conclusion – Response accepted.

- (C) Payroll – The following internal control deficiencies relate to the County's payroll:

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

Harrison County

Schedule of Findings

Year ended June 30, 2012

- The compensatory time balances of certain Secondary Roads and Sheriff's Office employees exceeded the allowed carryover per the union contracts.
- Department Head timesheets are not approved by the Board of Supervisors. In some cases, Department Heads do not complete timesheets.
- The same person calculates and inputs rates of pay for salaried employees with no independent review.
- Certain salaried employees are paid in advance of the wages being earned.

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

Procedures should be in place to ensure departments comply with the maximum allowed carryover of compensatory time.

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

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

The Board of Supervisors should not allow salary payments in advance of wages earned.

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

Conclusion – Response accepted.

- (D) Conservation Claims – The County paid retainage on a contract twice resulting in an overpayment of \$8,147.

Recommendation – Procedures should be implemented to ensure conservation claims are adequately reviewed to prevent duplicate payment.

Response – This was an oversight. The Conservation department did receive a refund. We will review more carefully in the future.

Conclusion – Response accepted.

- (E) County Sheriff – The County Sheriff did not prepare year-to-date summaries of receipts and disbursements of the commissary for financial reporting. In addition, monthly bank reconciliations were not prepared for the bank account.

Harrison County

Schedule of Findings

Year ended June 30, 2012

Recommendation – The County Sheriff should prepare a year-to-date summary of commissary receipts and disbursements. The beginning balance plus receipts minus disbursements should reconcile to the ending book balance. In addition, monthly bank reconciliations should be prepared for the account.

Response – We have implemented procedures for preparing a summary of commissary receipts and disbursements and it can be printed out at any time. In addition, reconciliations are prepared monthly.

Conclusion – Response accepted.

(F) Prisoner Room and Board – The following internal control deficiencies related to prisoner room and board were identified:

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

Recommendation – The County should implement policies and procedures to ensure prisoner room and board billings, collections and accounts receivable balances are reconciled on a monthly basis. An independent person should periodically review the reconciliations for propriety and the reviews performed should be evidenced by the signature or initials of the reviewer and the date of the review. Delinquent accounts should be remitted to the magistrate timely and reviewed by an independent person.

Response – Procedures include sending delinquent accounts to the magistrate at least quarterly. An independent person will review the reconciliations and delinquent accounts.

Conclusion – Response accepted.

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

The County does not have written policies for:

- Information system security, including password privacy and confidentiality.
- Requiring password changes because the software does not require users to change log-ins/passwords periodically.
- Usage of the internet.

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

Harrison County

Schedule of Findings

Year ended June 30, 2012

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

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

Conclusion – Response accepted.

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

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

Response – We will work on this policy.

Conclusion – Response accepted.

- (I) Secondary Roads Fringe Benefits – The following items regarding Secondary Roads fringe benefits were noted:

Non-Union Benefits

The County Engineer’s employment contract states, “The County Engineer shall be granted insurance benefits, sick leave, paid holidays and all other fringe benefits granted Secondary Roads Department union employees in a like and equal manner unless otherwise altered by this contract”.

For other non-union Secondary Roads employees, the Board annually approves a resolution establishing compensation which states, “All other non-salary benefits will be based on union contract, unless otherwise modified by this document or by personnel contracts.”

In prior years, the County Engineer was paid for compensatory time and unused vacation time. In addition, other non-union administrative employees have also received payment for compensatory time.

Although not prohibited, the County is not required to provide compensatory time or pay for employees classified as exempt under the Fair Labor Standards Act requirements. It’s unclear from the language in the County Engineer’s employment contract and the resolution covering other non-union Secondary Road employees whether the County intended to provide compensatory time to all of these employees since some of the employees would likely be categorized as exempt employees under the Fair Labor Standards Act.

Contract Negotiations

According to County officials, the County Engineer has participated in past Secondary Roads union contract negotiations on behalf of the Board of Supervisors. The County Engineer’s participation in the union negotiations appears to be a conflict of interest since the County Engineer’s employment contract states the County Engineer is to receive the benefits included in the union contract.

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Sick Leave

The union contract allows employees who are at least 55 years of age to convert their accumulated unused sick leave to a bank for purposes of purchasing group health insurance after their separation from County employment. The County has not established limitations of the benefit commonly seen in similar policies from other counties, such as expiration of the benefit when the employee becomes eligible for Medicare.

The union contract allows employees to use the sick leave bank for the payment of health insurance, dependent health insurance and/or Medicare supplement insurance premiums. In addition, in the event of the death of the former employee during the time this extended benefit is being utilized, the balance of the account may be utilized for the continuation of dependent health insurance and/or Medicare supplement insurance premiums in force at that time. The County's compensated absences liability related to sick leave for Secondary Roads employees at June 30, 2012 was approximately \$577,000.

Recommendation – The County should review the County Engineer's employment contract and the resolution for other non-union employees and consider establishing clearer language in the future to avoid any confusion regarding benefits for non-union employees. The County should consult legal counsel regarding the County Engineer's involvement in union negotiations. The County should review the sick leave benefit provided to Secondary Roads retirees and consider future changes to reduce the County's liability.

Response – This will be addressed in the next union negotiations. The County Engineer's employment contract will be revised at the time of renewal. We will review the language in the resolution for non-union employees. We have consulted the County Attorney.

Conclusion – Response accepted.

(J) Accounting Policies and Procedures Manual – The County Sheriff's Office does not have an accounting policies and procedures manual.

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

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

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

Conclusion – Response accepted.

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

The Conservation Welcome Center did not prepare a year-to-date summary of receipts and disbursements for financial reporting.

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Year ended June 30, 2012

Prenumbered receipts were not issued for all collections.

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

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

A year-to-date summary of Welcome Center receipts and disbursements should be prepared.

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

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

Response – We will perform monthly reconciliations of balances and accounts which will be reviewed by the Director or representative. We will begin to keep a year-to-date spreadsheet. Receipts will be issued for all transactions and deposits will be reviewed and evidenced. Credit card processing fees will be recorded in the County's accounting system.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Harrison County
Schedule of Findings
Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the county environment and education and governmental services to residents functions. Disbursements in the mental health department exceeded the amount appropriated. In addition, disbursements in certain other departments exceeded the amounts appropriated prior to appropriation amendments.

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.

Response – We will watch this more closely.

Conclusion – Response accepted

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Sam’s Club	Food for EMA Commission meeting	\$ 109
Hy-Vee	Supplies and food for recreation programs	186

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

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

Responses –

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

Emergency Management Agency – All claims will include a public purpose statement whenever food is purchased.

Conclusions – Responses accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2012

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Susan Bonham, County Auditor, Mother of Sara Bonham	Assist with general election	\$ 309
Susan Bonham, County Auditor, Mother of Steven Bonham	Assist with general election	322
Larry Oliver, Emergency Management Director, father of Carter Oliver	Yard work at County Sheriff's Office	160
Robert Smith, Supervisor, wife owns Cheryl Smith Cleaning Services	Cleaning services at County Sheriff's and County Engineer's Offices	9,040
Dennis Hall, Secondary Roads employee, Wife is Lois Hall	Cleaning services	6,170
Louis Valles, maintenance employee, Wife owns Just a Print Promotions	Various promotional items	404

The transactions with Cheryl Smith Cleaning Services and Lois Hall do not represent conflicts of interest in the opinion of the County Attorney.

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

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

The County's publication of Board proceedings included summaries of resolutions adopted by the Board rather than a complete text as required by Chapter 331.504 of the Code of Iowa. An Attorney General's Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Harrison County
Schedule of Findings
Year ended June 30, 2012

Recommendation – The County should ensure the minutes are provided timely for publication, as required. Publication of minutes should include the complete text of resolutions adopted by the Board.

Response – We will work on submitting the minutes in a timely fashion and we will start including the full resolutions in our minutes.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Outstanding Warrants/Checks – The County Auditor and County Treasurer did not cancel warrants/checks outstanding for more than one year as required by Chapters 331.554(6) and (7) of the Code of Iowa.

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

Responses –

County Auditor – We have revised our policy.

County Treasurer – We will work on this area.

Conclusions – Responses accepted.

- (10) Deficit Balance/Financial Condition – The Debt Service Fund had a deficit cash balance of \$1,517 at June 30, 2012. This appears to violate Chapter 331.476 of the Code of Iowa.

In addition, the Debt Service Fund had an unassigned deficit fund balance of \$1,481 at June 30, 2012.

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

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

Response – We will work on this.

Conclusion – Response accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2012

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

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

Harrison County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Brett M. Zeller, Senior Auditor
David C. McQuarry, CPA, Staff Auditor
Daniel J. Mikels, Staff Auditor
Stephen J. Hoffman, Assistant Auditor
Elissa R. Olson, Assistant Auditor
Jason R. Ropte, Assistant Auditor

A handwritten signature in black ink, reading "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