



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

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Mary Mosiman, CPA  
Auditor of State

NEWS RELEASE

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

March 6, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Warren County, Iowa.

The County had local tax revenue of \$64,646,915 for the year ended June 30, 2013, which included \$1,928,533 in tax credits from the state. The County forwarded \$51,865,882 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,781,033 of the local tax revenue to finance County operations, an increase of 7.2% over the prior year. Other revenues included charges for service of \$4,174,430, operating grants, contributions and restricted interest of \$6,660,038, capital grants, contributions and restricted interest of \$743,029, unrestricted investment earnings of \$57,561, gain on disposition of capital assets of \$85,098 and other general revenues of \$252,812.

Expenses for County operations for the year ended June 30, 2013 totaled \$22,234,890, a 10.7% decrease from the prior year. Expenses included \$7,038,980 for roads and transportation, \$4,623,868 for public safety and legal services and \$2,987,228 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0091-B00F.pdf>.

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**WARREN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

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**Warren County**

**Officials**

**(Before January 2013)**

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

**(After January 2013)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Steve Wilson	Board of Supervisors	Jan 2015
Dean Yordi	Board of Supervisors	Jan 2015
Doug Shull	Board of Supervisors	Jan 2017
Traci Vander Linden	County Auditor	Jan 2017
Julie Daugherty	County Treasurer	Jan 2015
Polly Glascock	County Recorder	Jan 2015
Brian Vos	County Sheriff	Jan 2017
John Criswell	County Attorney	Jan 2015
Brian Arnold	County Assessor	Jan 2016

**Warren County**



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Independent Auditor's Report

To the Officials of Warren County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Warren County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 48 through 52 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2014 on our consideration of Warren County's internal control over financial reporting and on 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 in considering Warren County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2014

**Warren County**

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

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Warren County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 1.5%, or approximately \$370,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$870,000, operating grants, contributions and restricted interest increased approximately \$131,000, capital grants, contributions and restricted interest decreased approximately \$293,000 and charges for service increased approximately \$236,000.
- Program expenses were 10.7%, or approximately \$2,672,000, less in fiscal year 2013 than in fiscal year 2012. Mental health function expenses decreased approximately \$3,041,000.
- The County's net position increased 5.7%, or approximately \$2,519,000, from June 30, 2012 to June 30, 2013.

### **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 Position and a Statement of Activities. These provide information about the activities of Warren County as a whole and present an overall view of the County's finances.

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

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

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

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

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

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Warren County's combined net position increased 5.7% over a year ago, increasing from approximately \$44.1 million to approximately \$46.7 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 23,487	\$ 22,556
Capital assets	38,724	37,741
Total assets	<u>62,211</u>	<u>60,297</u>
Long-term liabilities	2,008	1,571
Other liabilities	13,551	14,593
Total liabilities	<u>15,559</u>	<u>16,164</u>
Net position:		
Invested in capital assets, net of related debt	38,519	37,702
Restricted	3,904	3,626
Unrestricted	4,229	2,805
Total net position	<u>\$ 46,652</u>	<u>\$ 44,133</u>

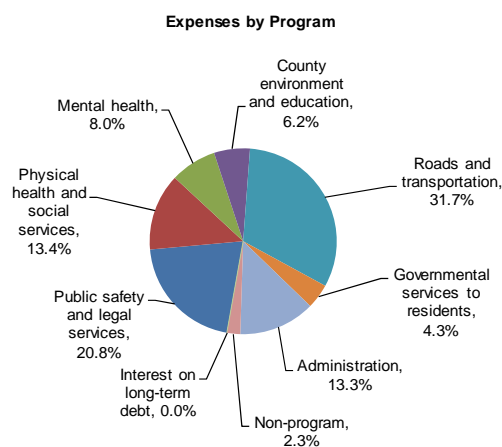
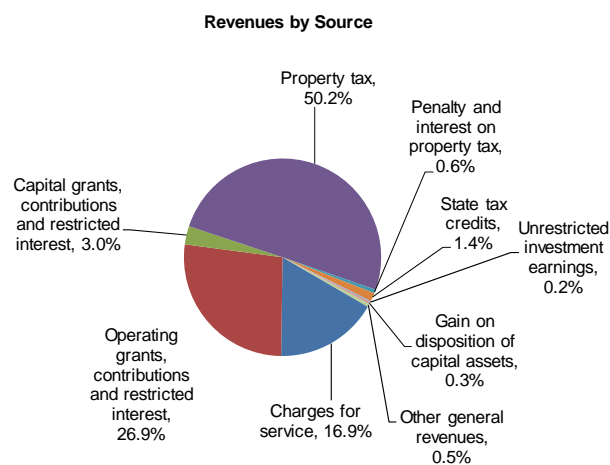
Net position of Warren County's governmental activities increased approximately \$2,519,000 (approximately \$46.7 million compared to approximately \$44.1 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. This net asset category increased approximately \$817,000, or 2.2%.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$278,000, or 7.7%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$2.8 million at June 30, 2012 to approximately \$4.2 million at the end of this year, an increase of 50.8%. This increase of approximately \$1,424,000 was primarily due to a \$1.5 million deficit in the Special Revenue, Mental Health Fund at June 30, 2012 being eliminated in fiscal year 2013 through the collection of transition funds from the State to cover outstanding payables from the prior year.

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

	Year ended June 30	
	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 4,174	\$ 3,938
Operating grants, contributions and restricted interest	6,660	6,529
Capital grants, contributions and restricted interest	743	1,036
<b>General revenues:</b>		
Property tax	12,446	11,576
Penalty and interest on property tax	139	56
State tax credits	335	346
Unrestricted investment earnings	58	65
Gain on disposition of capital assets	85	603
Other general revenues	114	235
<b>Total revenues</b>	<b>24,754</b>	<b>24,384</b>
<b>Program expenses:</b>		
Public safety and legal services	4,624	4,692
Physical health and social services	2,987	2,908
Mental health	1,787	4,828
County environment and education	1,382	1,401
Roads and transportation	7,039	6,874
Governmental services to residents	948	858
Administration	2,946	2,869
Non-program	515	469
Interest on long-term debt	7	8
<b>Total expenses</b>	<b>22,235</b>	<b>24,907</b>
<b>Increase in net position</b>	<b>2,519</b>	<b>(523)</b>
<b>Net position beginning of year</b>	<b>44,133</b>	<b>44,656</b>
<b>Net position end of year</b>	<b>\$ 46,652</b>	<b>\$ 44,133</b>



Warren County's net position of governmental activities increased approximately \$2,519,000 during the year. Revenues for governmental activities increased approximately \$370,000 over the prior year, with property tax revenue up from the prior year approximately \$870,000. Operating grants, contributions and restricted interest increased approximately \$131,000, or 2.0%. Capital grants, contributions and restricted interest decreased approximately \$293,000, or 28.3%. The decrease in capital grants, contributions and restricted interest is due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation and grants received for a conservation bike trail.

The County decreased property tax rates for fiscal year 2013 an average of 1.0%. However, due to an increase in assessed valuations of approximately \$125 million, or 8.0%, property tax revenue increased approximately \$870,000.

The cost of all governmental activities this year was approximately \$22.2 million compared to approximately \$25 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$10.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$4.2 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7.4 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from approximately \$11.5 million in fiscal year 2012 to approximately \$11.6 million in fiscal year 2013, principally due to an increase in operating grants for mental health services offset by a decrease in capital grants and contributions for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$13.2 million of taxes and with other revenues, such as interest and general entitlements.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Warren County completed the year, its governmental funds reported a combined fund balance of approximately \$9.5 million, an increase of approximately \$2.1 million above last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance increased approximately \$277,000 over the prior year to approximately \$5,423,000. General Fund revenues increased approximately \$663,000 over the prior year, due principally to an increase in property tax revenue of approximately \$572,000. Expenditures increased approximately \$501,000, or 4.1%, over the prior year. This increase was primarily due to an increase in the capital projects function for the purchase of land for a public works facility and an increase in the governmental services to residents function for new election voting machines.
- The Special Revenue, Mental Health Fund balance at year end increased approximately \$1,896,000 over the prior year. Mental Health Fund revenues increased approximately \$687,000 over the prior. During the fiscal year, the County received approximately \$1,383,000 from the State's Transition Fund for one-time assistance with mental health and disability services not funded with Medicaid. This revenue increase was offset by a decrease in mental health property tax relief funding from the State. Mental Health Fund expenditures decreased approximately \$3,030,000, or 63.1%, from the prior year. This decrease was due to a change in the method the State uses to pay for Medicaid reimbursed services.
- The Special Revenue, Rural Services Fund revenues increased approximately \$215,000 over the prior year due to an increase in property tax revenue while expenditures increased only about \$15,000 over the prior year. These changes resulted in a decrease in the Rural Services Fund balance of approximately \$48,000, or 8.7%.

- The Special Revenue, Secondary Roads Fund revenues decreased approximately \$399,000, or 9.2%, from the prior year. Secondary Roads Fund expenditures increased approximately \$693,000 over the prior year, due principally to the purchase of equipment and property for a satellite storage and maintenance facility. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$6,000, or less than 1%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Warren County amended its budget two times. The first amendment was made in October 2012 and resulted in an increase in budgeted disbursements in the capital projects function for bridge construction and a land purchase for a future public works facility. The County received grant funds for a portion of the bridge construction projects. The second amendment was made in May 2013 and resulted in an increase in the roads and transportation function for increased costs of equipment operations and the purchase of a satellite equipment building. The amendment also included an increase in the public safety and legal services function for sheriff vehicles, prisoner care and housing.

The County's receipts were \$1,652,323 less than budgeted, a variance of 6.5%. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated, primarily due to changes made to mental health service funding pertaining to allowable growth, property tax relief, social services block grant and transition funding. Also, intergovernmental receipts for bridge replacement grants were less than budgeted since projects were not completed as planned.

Total disbursements were \$3,201,848 less than the amended budget. Actual disbursements for the mental health, capital projects, roads and transportation and physical health and social services functions were \$893,182, \$861,660, \$756,094 and \$431,644, respectively, less than budgeted. Mental health was less due to a change in the method of paying mental health services. The capital projects activity was less primarily due to a bridge construction project not completed during the fiscal year. Roads and transportation was lower due to rock, sand and salt, pavement markings, engineering design work and asphalt projects not fully utilizing budgeted amounts. Physical health and social services activity was lower primarily due to grants not being utilized for the allowed amount.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Warren County had approximately \$38.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$983,000, or less than 2.6%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 2,314	1,759
Intangibles	97	97
Buildings and improvements	5,599	5,859
Equipment and vehicles	2,657	2,227
Infrastructure	28,057	27,799
Total	\$ 38,724	37,741
This year's major additions included (in thousands):		
Roads		\$ 1,205
Land		555
Secondary roads and other equipment		1,145
Total		\$ 2,905

The County had depreciation expense of \$1,954,172 in fiscal year 2013 and total accumulated depreciation of \$25,322,331 at June 30, 2013.

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

### Long-Term Debt

At June 30, 2013, Warren County had \$427,696 of general obligation notes and other long-term debt outstanding compared to \$211,824 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2013	2012
General obligation notes	\$ 153,921	172,574
Installment purchase contract	254,150	-
Capital lease purchase agreement	19,625	39,250
Total	\$ 427,696	211,824

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$160 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 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 4.4% versus 4.8% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.6%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 2.2% for fiscal year 2013 compared with the national rate of 1.8%. After the end of fiscal year 2013, the Consumer Price Index decreased slightly due to a decrease in energy costs, relatively no change in food costs and a modest increase in shelter and medical costs. As of December 2013, the Midwest Region of the Department of Labor CPI was 1.0% compared with the national rate of 1.5%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$23.7 million, a decrease of approximately \$1,743,000 from the final fiscal year 2013 budget. Decreases in state aid for mental health services offset slightly by increases in loans and grant reimbursements for capital projects are expected to be the source of this decrease. Budgeted disbursements are expected to decrease approximately \$2,168,000 from the final fiscal year 2013 budget. Warren County reduced budgeted mental health services due to a change in funding for Medicaid services. Additionally, services for physical health and social services increased because the case management services were moved out of the mental health function. Capital projects increased due to secondary roads projects expected to commence in fiscal year 2014.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$372,000, or 4.8%, by the close of fiscal year 2014. The Special Revenue, Secondary Roads Fund balance is budgeted to decrease \$470,000 and the General Fund balance is budgeted to increase \$122,000 by the end of fiscal year 2014.

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

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

## **Basic Financial Statements**

**Exhibit A**

Warren County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 9,455,158
Receivables:	
Property tax:	
Delinquent	23,296
Succeeding year	12,177,000
Interest and penalty on property tax	70,257
Accounts	129,061
Accrued interest	15,764
Due from other governments	912,718
Inventories	661,690
Prepaid insurance	42,000
Capital assets, net of accumulated depreciation	38,724,373
<b>Total assets</b>	<u>62,211,317</u>
<b>Liabilities</b>	
Accounts payable	990,065
Accrued interest payable	4,323
Salaries and benefits payable	186,260
Due to other governments	193,748
Deferred revenue:	
Succeeding year property tax	12,177,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	19,421
Installment purchase contract	84,717
Capital lease purchase agreement	19,625
Compensated absences	400,628
Portion due or payable after one year:	
General obligation notes	134,500
Installment purchase contract	169,433
Capital lease purchase agreement	
Compensated absences	435,127
Net OPEB liability	744,000
<b>Total liabilities</b>	<u>15,558,847</u>
<b>Net Position</b>	
Net investment in capital assets	38,518,548
Restricted for:	
Rural services purposes	475,423
Secondary roads purposes	2,456,898
Mental health purposes	359,143
Supplemental levy purposes	234,703
Other purposes	378,376
Unrestricted	4,229,379
<b>Total net position</b>	<u>\$ 46,652,470</u>

See notes to financial statements.

Warren County  
Statement of Activities  
Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,623,868	460,879	427,538	-	(3,735,451)
Physical health and social services	2,987,228	826,300	955,489	-	(1,205,439)
Mental health	1,786,884	1,178,152	1,403,744	-	795,012
County environment and education	1,382,226	55,230	85,008	-	(1,241,988)
Roads and transportation	7,038,980	51,203	3,787,966	743,029	(2,456,782)
Governmental services to residents	948,136	945,372	293	-	(2,471)
Administration	2,945,671	168,162	-	-	(2,777,509)
Non-program	515,088	489,132	-	-	(25,956)
Interest on long-term debt	6,809	-	-	-	(6,809)
<b>Total</b>	<b>\$ 22,234,890</b>	<b>4,174,430</b>	<b>6,660,038</b>	<b>743,029</b>	<b>(10,657,393)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					12,446,231
Penalty and interest on property tax					138,669
State tax credits					334,802
Unrestricted investment earnings					57,561
Gain on disposition of capital assets					85,098
Miscellaneous					114,143
<b>Total general revenues</b>					<b>13,176,504</b>
Change in net position					2,519,111
Net position beginning of year					44,133,359
Net position end of year					<b>\$ 46,652,470</b>

See notes to financial statements.

Warren County  
Balance Sheet  
Governmental Funds

June 30, 2013

<b>Assets</b>	General	Mental Health
Cash, cash equivalents and pooled investments	\$ 5,510,261	509,553
Receivables:		
Property tax:		
Delinquent	14,926	1,824
Succeeding year	8,477,000	1,011,000
Interest and penalty on property tax	70,257	-
Accounts	102,560	13,327
Accrued interest	15,764	-
Due from other funds	16,202	480
Due from other governments	381,805	102,496
Inventories	-	-
Prepaid insurance	42,000	-
<b>Total assets</b>	<b>\$ 14,630,775</b>	<b>1,638,680</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 319,429	83,149
Salaries and benefits payable	127,504	11,637
Due to other funds	19,049	15,713
Due to other governments	85,127	105,051
Deferred revenue:		
Succeeding year property tax	8,477,000	1,011,000
Other	179,205	1,605
Total liabilities	9,207,314	1,228,155
Fund balances:		
Nonspendable:		
Inventories	-	-
Prepaid insurance	42,000	-
Restricted for:		
Rural services purposes	-	-
Secondary roads purposes	-	-
Mental health purposes	-	410,525
Supplemental levy purposes	295,880	-
Other purposes	-	-
Assigned for:		
Future jail expansion	654,857	-
Building reserve	620,167	-
Unassigned	3,810,557	-
Total fund balances	5,423,461	410,525
<b>Total liabilities and fund balances</b>	<b>\$ 14,630,775</b>	<b>1,638,680</b>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
551,388	2,411,058	381,581	9,363,841
6,546	-	-	23,296
2,689,000	-	-	12,177,000
-	-	-	70,257
4,800	-	-	120,687
-	-	-	15,764
40	21,276	341	38,339
-	401,561	-	885,862
-	614,161	-	614,161
-	-	-	42,000
3,251,774	3,448,056	381,922	23,351,207
21,110	492,412	3,406	919,506
8,395	38,658	66	186,260
20,088	23,993	74	78,917
-	3,526	-	193,704
2,689,000	-	-	12,177,000
6,351	70,116	-	257,277
2,744,944	628,705	3,546	13,812,664
-	614,161	-	614,161
-	-	-	42,000
506,830	-	-	506,830
-	2,205,190	-	2,205,190
-	-	-	410,525
-	-	-	295,880
-	-	378,376	378,376
-	-	-	654,857
-	-	-	620,167
-	-	-	3,810,557
506,830	2,819,351	378,376	9,538,543
3,251,774	3,448,056	381,922	23,351,207

**Warren County**



Warren County  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Position

June 30, 2013

**Total governmental fund balances (page 21)** \$ 9,538,543

***Amounts reported for governmental activities in the Statement of Net Position 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 \$63,954,371 and the accumulated depreciation is \$25,268,858. 38,685,513

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 257,277

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

Capital assets of \$92,333, less accumulated depreciation of \$53,473	\$ 38,860	
Other net position	144,051	182,911

Long-term liabilities, including general obligation notes payable, installment purchase contract payable, capital lease purchase agreement payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,011,774)

**Net position of governmental activities (page 18)** \$ 46,652,470

See notes to financial statements.

Warren County

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

Year ended June 30, 2013

	General	Mental Health
<b>Revenues:</b>		
Property and other county tax	\$ 8,589,807	1,049,776
Interest and penalty on property tax	125,890	-
Intergovernmental	2,367,327	2,610,050
Licenses and permits	23,750	-
Charges for service	1,264,031	1,193
Use of money and property	70,322	-
Miscellaneous	508,653	6,556
Total revenues	12,949,780	3,667,575
<b>Expenditures:</b>		
Operating:		
Public safety and legal services	4,617,153	-
Physical health and social services	2,957,533	-
Mental health	-	1,772,073
County environment and education	935,625	-
Roads and transportation	-	-
Governmental services to residents	1,080,874	-
Administration	2,604,651	-
Non-program	-	-
Debt service	46,336	-
Capital projects	488,100	-
Total expenditures	12,730,272	1,772,073
Excess (deficiency) of revenues over (under) expenditures	219,508	1,895,502
<b>Other financing sources (uses):</b>		
Sale of capital assets	3,198	-
Installment purchase contract	254,150	-
Operating transfers in	-	-
Operating transfers out	(200,000)	-
Total other financing sources (uses)	57,348	-
Change in fund balances	276,856	1,895,502
Fund balances beginning of year	5,146,605	(1,484,977)
Fund balances end of year	\$ 5,423,461	410,525

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,707,721	-	-	12,347,304
-	-	-	125,890
98,751	3,957,727	16,532	9,050,387
29,800	5,485	300	59,335
4,250	-	24,749	1,294,223
-	1,440	341	72,103
995	13,524	83,532	613,260
2,841,517	3,978,176	125,454	23,562,502
-	-	61,132	4,678,285
-	-	-	2,957,533
-	-	-	1,772,073
305,050	-	57,048	1,297,723
378,252	5,630,295	-	6,008,547
2,329	-	4,385	1,087,588
4,236	-	-	2,608,887
-	-	17,742	17,742
-	-	-	46,336
33	753,941	-	1,242,074
689,900	6,384,236	140,307	21,716,788
2,151,617	(2,406,060)	(14,853)	1,845,714
-	-	-	3,198
-	-	-	254,150
-	2,400,000	-	2,400,000
(2,200,000)	-	-	(2,400,000)
(2,200,000)	2,400,000	-	257,348
(48,383)	(6,060)	(14,853)	2,103,062
555,213	2,825,411	393,229	7,435,481
506,830	2,819,351	378,376	9,538,543

Warren County

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

Year ended June 30, 2013

**Change in fund balances - Total governmental funds (page 25)** \$2,103,062

**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	\$2,115,795	
Capital assets contributed by the Iowa Department of Transportation	739,640	
Depreciation expense	<u>(1,946,377)</u>	909,058

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. 81,900

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	1,053	
Other	<u>(143,045)</u>	(141,992)

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

Issued	(254,150)	
Repaid	<u>38,278</u>	(215,872)

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	(34,774)	
Other postemployment benefits	(186,000)	
Interest on long-term debt	<u>1,249</u>	(219,525)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual funds and other entities. The change in net position of the Internal Service Fund is reported with governmental activities. 2,480

**Change in net position of governmental activities (page 19)** \$2,519,111

See notes to financial statements.

Warren County  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

	Internal Service - Fuel Station
<b>Assets</b>	
Cash and cash equivalents	\$ 91,317
Accounts receivable	8,374
Due from other funds	40,615
Due from other governments	26,856
Inventories	47,529
Capital assets, net of accumulated depreciation of \$53,473	38,860
<b>Total assets</b>	253,551
<b>Liabilities</b>	
Accounts payable	70,559
Due to other funds	37
Due to other governments	44
<b>Total liabilities</b>	70,640
<b>Net Position</b>	
Net investment in capital assets	38,860
Unrestricted	144,051
<b>Total net position</b>	\$ 182,911

See notes to financial statements.

## Warren County

Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2013

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 458,319
Reimbursements from other governments		486,380
Fuel and other tax refunds		24,521
Total operating revenues		<u>969,220</u>
Operating expenses:		
Fuel	\$ 921,486	
State fuel and other taxes	27,656	
Utilities	760	
Insurance	1,246	
Repairs	7,667	
Tank fees	130	
Depreciation	7,795	
Operating income	<u>                    </u>	<u>966,740</u>
Net position beginning of year		180,431
Net position end of year		<u>\$ 182,911</u>

See notes to financial statements.

Warren County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2013

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 445,306
Cash received from other governments	500,679
Cash received from other sources	24,521
Cash paid to suppliers	(904,557)
Net cash provided by operating activities	65,949
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	25,368
Net change in cash and cash equivalents	91,317
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ 91,317
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 2,480
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,795
Increase in accounts receivable	(1,410)
Increase in due from other funds	(13,013)
Decrease in due from other governments	15,690
Decrease in inventories	4,292
Increase in accounts payable	50,134
Decrease in due to other funds	(38)
Increase in due to other governments	19
Net cash provided by operating activities	\$ 65,949

See notes to financial statements.

Warren County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,407,106
Other County officials	79,856
Receivables:	
Property tax:	
Delinquent	77,869
Succeeding year	48,679,000
Accounts	41,625
Special assessments	2,166,000
Due from other governments	21,329
<b>Total assets</b>	<u>53,472,785</u>

**Liabilities**

Accounts payable	33,779
Salaries and benefits payable	8,478
Due to other governments	53,073,226
Trusts payable	317,305
Compensated absences	39,997
<b>Total liabilities</b>	<u>53,472,785</u>

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



Warren County

Notes to Financial Statements

June 30, 2013

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

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, 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 the investment in

the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$119,919 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 15,713
	Rural Services	126
	Secondary Roads	326
	Internal Service:	
	Fuel Station	37
Special Revenue:		
Mental Health	General	480
Secondary Roads	General	1,365
	Special Revenue:	
	Rural Services	19,911
Rural Services	General	40
County Recorder's Records		
Management	General	201
Resource Enhancement		
and Protection	General	140
Internal Service:		
Fuel Station	General	16,823
	Special Revenue:	
	Rural Services	51
	Secondary Roads	23,667
	Liberty Center Sewer	74
Total		<u>\$ 78,954</u>

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



**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 200,000
	Special Revenue: Rural Services	2,200,000
Total		<u>\$ 2,400,000</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,758,892	555,175	-	2,314,067
Construction in progress	541,894	1,204,723	1,656,210	90,407
Intangibles	97,211	-	-	97,211
Total capital assets not being depreciated	<u>2,397,997</u>	<u>1,759,898</u>	<u>1,656,210</u>	<u>2,501,685</u>
Capital assets being depreciated:				
Buildings	8,569,890	31,806	-	8,601,696
Improvements other than buildings	803,050	-	-	803,050
Equipment and vehicles	7,141,849	1,145,631	269,051	8,018,429
Equipment, internal service	92,333	-	-	92,333
Infrastructure, road network	40,800,115	1,656,210	-	42,456,325
Infrastructure, other	1,573,186	-	-	1,573,186
Total capital assets being depreciated	<u>58,980,423</u>	<u>2,833,647</u>	<u>269,051</u>	<u>61,545,019</u>
Less accumulated depreciation for:				
Buildings	3,430,729	268,856	-	3,699,585
Improvements other than buildings	83,607	22,471	-	106,078
Equipment and vehicles	4,961,904	707,819	269,051	5,400,672
Equipment, internal service	45,678	7,795	-	53,473
Infrastructure, road network	14,605,476	896,426	-	15,501,902
Infrastructure, other	509,816	50,805	-	560,621
Total accumulated depreciation	<u>23,637,210</u>	<u>1,954,172</u>	<u>269,051</u>	<u>25,322,331</u>
Total capital assets being depreciated, net	<u>35,343,213</u>	<u>879,475</u>	<u>-</u>	<u>36,222,688</u>
Governmental activities capital assets, net	<u>\$ 37,741,210</u>	<u>2,639,373</u>	<u>1,656,210</u>	<u>38,724,373</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 93,299
Physical health and social services	3,049
County environment and education	133,732
Roads and transportation	1,422,753
Governmental services to residents	38,674
Administration	254,870
Total depreciation expense - governmental activities, excluding the Internal Service Fund	<u>\$ 1,946,377</u>
Depreciation expense charged to the Internal Service Fund	<u>\$ 7,795</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 85,127
Special Revenue:		
Mental Health	Services	105,051
Secondary Roads	Services	3,526
		<u>108,577</u>
Total for governmental funds		<u>\$ 193,704</u>
Agency:		
County Assessor	Collections	\$ 846,396
Schools		31,071,180
Community Colleges		1,156,228
Corporations		15,614,609
Townships		584,585
Auto License and Use Tax		1,091,118
All other		2,709,110
Total for agency funds		<u>\$ 53,073,226</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Notes	Installment Purchase Contract	Capital Lease Purchase Agreement	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 172,574	-	39,250	800,981	558,000	1,570,805
Increases	-	254,150	-	659,155	221,254	1,134,559
Decreases	18,653	-	19,625	624,381	35,254	697,913
Balance end of year	<u>\$ 153,921</u>	<u>254,150</u>	<u>19,625</u>	<u>835,755</u>	<u>744,000</u>	<u>2,007,451</u>
Due within one year	\$ 19,421	84,717	19,625	400,628	-	524,391

General Obligation Notes

A summary of the County's June 30, 2013 general obligation note indebtedness is as follows:

Year Ending June 30,	Liberty Center Wastewater Collection and Treatment Facility			
	Issued November 5, 2009			
	Interest Rates	Principal	Interest	Total
2014	4.125 - 4.25%	\$ 19,421	6,484	25,905
2015	4.125 - 4.25	20,237	5,668	25,905
2016	4.125 - 4.25	21,087	4,818	25,905
2017	4.125 - 4.25	21,973	3,932	25,905
2018	4.125 - 4.25	22,897	3,009	25,906
2019- 2020	4.125 - 4.25	48,306	3,090	51,411
Total		\$ 153,921	27,001	180,937

During the year ended June 30, 2013, the County retired \$18,653 of general obligation notes.

Installment Purchase Contract

During the year ended June 30, 2013, the County entered into a \$254,150 installment purchase contract for voting equipment. The agreement bears no interest and requires three annual payments of \$84,717, due July 1 each year.

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the County entered into a capital lease purchase agreement for a mower for the Conservation Department for \$39,250. The following is a schedule of the future minimum lease payments, including interest at 4.0% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2013:

Year Ending June 30,	Amount
2014	\$ 20,411
Less amount representing interest	(786)
Present value of net minimum lease payments	\$ 19,625

Payments for the capital lease purchase agreement totaled \$19,625 for the year ended June 30, 2013.

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$752,851, \$692,852 and \$589,471, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

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

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and the change in the County's net OPEB obligation:

Annual required contribution	\$ 220,413
Interest on net OPEB obligation	22,337
Adjustment to annual required contribution	<u>(21,496)</u>
Annual OPEB cost	206,746
Contributions made	<u>(35,254)</u>
Increase in net OPEB obligation	186,000
Net OPEB obligation beginning of year	<u>558,000</u>
Net OPEB obligation end of year	<u>\$ 744,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$35,254 to the medical plan. Plan members eligible for benefits contributed \$23,185, or 40% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 166,392	28.5%	\$ 372,000
2012	206,746	10.0	558,000
2013	221,254	17.1	744,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$1,657,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,657,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,145,000 and the ratio of the UAAL to covered payroll was 20.3%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9.5%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

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

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

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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 at a level determined by the Board not to exceed 300% of 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, 2013 were \$180,959.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Joint Vehicle Fueling Facility**

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

**Warren County**



**Required Supplementary Information**

Warren County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 12,349,773	-	12,349,773
Interest and penalty on property tax	129,452	-	129,452
Intergovernmental	9,350,985	-	9,350,985
Licenses and permits	54,715	-	54,715
Charges for service	1,291,933	-	1,291,933
Use of money and property	75,824	-	75,824
Miscellaneous	611,955	67,367	544,588
Total receipts	<u>23,864,637</u>	<u>67,367</u>	<u>23,797,270</u>
<b>Disbursements:</b>			
Public safety and legal services	4,503,918	-	4,503,918
Physical health and social services	3,000,749	-	3,000,749
Mental health	3,646,385	-	3,646,385
County environment and education	1,260,695	35,207	1,225,488
Roads and transportation	5,920,229	-	5,920,229
Governmental services to residents	830,072	-	830,072
Administration	2,587,823	-	2,587,823
Nonprogram	17,742	-	17,742
Debt service	46,336	-	46,336
Capital projects	1,273,002	-	1,273,002
Total disbursements	<u>23,086,951</u>	<u>35,207</u>	<u>23,051,744</u>
Excess (deficiency) of receipts over (under) disbursements	777,686	32,160	745,526
Other financing sources, net	3,198	-	3,198
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	780,884	32,160	748,724
Balance beginning of year	8,582,957	117,169	8,465,788
Balance end of year	<u>\$ 9,363,841</u>	<u>149,329</u>	<u>9,214,512</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
12,433,336	12,433,336	(83,563)
145,000	145,000	(15,548)
10,599,555	11,053,975	(1,702,990)
45,300	45,300	9,415
1,199,175	1,199,175	92,758
79,580	79,580	(3,756)
473,727	493,227	51,361
<u>24,975,673</u>	<u>25,449,593</u>	<u>(1,652,323)</u>
4,496,827	4,603,077	99,159
3,282,585	3,432,393	431,644
4,539,567	4,539,567	893,182
1,233,426	1,265,076	39,588
6,471,323	6,676,323	756,094
806,396	852,096	22,024
2,682,522	2,686,267	98,444
17,781	17,781	39
46,350	46,350	14
434,662	2,134,662	861,660
<u>24,011,439</u>	<u>26,253,592</u>	<u>3,201,848</u>
964,234	(803,999)	1,549,525
7,000	7,000	(3,802)
971,234	(796,999)	1,545,723
<u>6,837,138</u>	<u>8,383,486</u>	<u>82,302</u>
<u>7,808,372</u>	<u>7,586,487</u>	<u>1,628,025</u>

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Warren County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 23,864,637	(302,135)	23,562,502
Expenditures	23,086,951	(1,370,163)	21,716,788
Net	777,686	1,068,028	1,845,714
Other financing sources, net	3,198	254,150	257,348
Beginning fund balances	8,582,957	(1,147,476)	7,435,481
Ending fund balances	\$ 9,363,841	174,702	9,538,543

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,242,153. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, the County's disbursements did not exceed the amounts budgeted by function.

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Warren County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2011	Jul 1, 2008	-	\$ 1,227	1,227	0.0%	\$ 7,493	16.4%
2012	Jul 1, 2011	-	1,471	1,471	0.0	7,908	18.6
2013	Jul 1, 2011	-	1,657	1,657	0.0	8,145	20.3

See Note 9 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**

Warren County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Special Attorney Forfeiture
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 96,491	69,793	383	5,093
Due from other funds	201	140	-	-
<b>Total assets</b>	<b>\$ 96,692</b>	<b>69,933</b>	<b>383</b>	<b>5,093</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,161	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>3,161</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted for other purposes	93,531	69,933	383	5,093
<b>Total liabilities and fund balances</b>	<b>\$ 96,692</b>	<b>69,933</b>	<b>383</b>	<b>5,093</b>

See accompanying independent auditor's report.



Revenue				
Sheriff Forfeiture	Friends of Conservation	Liberty Center Sewer	Capital Projects	Total
54,573	149,329	1,926	3,993	381,581
-	-	-	-	341
54,573	149,329	1,926	3,993	381,922
-	-	245	-	3,406
-	-	66	-	66
-	-	74	-	74
-	-	385	-	3,546
54,573	149,329	1,541	3,993	378,376
54,573	149,329	1,926	3,993	381,922

Warren County

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

Year ended June 30, 2013

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Special Attorney Forfeiture
<b>Revenues:</b>				
Intergovernmental	\$ -	16,532	-	-
Licenses and permits	-	-	-	-
Charges for service	11,155	-	-	-
Use of money and property	201	140	-	-
Miscellaneous	-	-	-	855
Total revenues	11,356	16,672	-	855
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	-	2,012
County environment and education	-	-	-	-
Governmental services to residents	4,385	-	-	-
Non-program	-	-	-	-
Total expenditures	4,385	-	-	2,012
Excess (deficiency) of revenues over (under) expenditures	6,971	16,672	-	(1,157)
Fund balances beginning of year	86,560	53,261	383	6,250
Fund balances end of year	\$ 93,531	69,933	383	5,093

See accompanying independent auditor's report.

Revenue					
Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Liberty Center Sewer	Capital Projects	Total
-	-	-	-	-	16,532
-	-	-	300	-	300
-	-	-	13,594	-	24,749
-	-	-	-	-	341
15,310	-	67,367	-	-	83,532
15,310	-	67,367	13,894	-	125,454
59,120	-	-	-	-	61,132
-	-	35,207	21,841	-	57,048
-	-	-	-	-	4,385
-	17,742	-	-	-	17,742
59,120	17,742	35,207	21,841	-	140,307
(43,810)	(17,742)	32,160	(7,947)	-	(14,853)
98,383	17,742	117,169	9,488	3,993	393,229
54,573	-	149,329	1,541	3,993	378,376

Warren County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	765	348,969	297,407
Other County officials	79,856	-	-	-
Receivables:				
Property tax:				
Delinquent	-	153	1,102	57,773
Succeeding year	-	85,000	530,000	30,716,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 79,856</b>	<b>85,918</b>	<b>880,071</b>	<b>31,071,180</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	2,689	-
Salaries and benefits payable	-	-	5,215	-
Due to other governments	33,569	85,918	846,396	31,071,180
Trusts payable	46,287	-	-	-
Compensated absences	-	-	25,771	-
<b>Total liabilities</b>	<b>\$ 79,856</b>	<b>85,918</b>	<b>880,071</b>	<b>31,071,180</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
8,522	220,935	6,237	1,091,118	433,153	2,407,106
-	-	-	-	-	79,856
1,706	15,674	1,348	-	113	77,869
1,146,000	15,378,000	577,000	-	247,000	48,679,000
-	-	-	-	41,625	41,625
-	-	-	-	2,166,000	2,166,000
-	-	-	-	21,329	21,329
1,156,228	15,614,609	584,585	1,091,118	2,909,220	53,472,785
-	-	-	-	31,090	33,779
-	-	-	-	3,263	8,478
1,156,228	15,614,609	584,585	1,091,118	2,589,623	53,073,226
-	-	-	-	271,018	317,305
-	-	-	-	14,226	39,997
1,156,228	15,614,609	584,585	1,091,118	2,909,220	53,472,785

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 104,351	86,165	868,255	32,645,179
Additions:				
Property and other county tax	-	88,109	550,517	31,773,271
E911 surcharge	-	-	-	-
State tax credits	-	3,003	21,612	1,111,270
Drivers license fees	-	-	-	-
Office fees and collections	1,050,026	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	413,815	-	-	-
Miscellaneous	-	-	11,281	-
Total additions	1,463,841	91,112	583,410	32,884,541
Deductions:				
Agency remittances:				
To other funds	604,407	-	-	-
To other governments	458,364	91,359	571,594	34,458,540
Trusts paid out	425,565	-	-	-
Total deductions	1,488,336	91,359	571,594	34,458,540
Balances end of year	\$ 79,856	85,918	880,071	31,071,180

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
962,629	14,473,508	571,116	1,011,494	3,310,739	54,033,436
1,176,990	15,830,291	597,477	-	255,496	50,272,151
-	-	-	-	238,078	238,078
33,456	393,845	21,058	-	9,487	1,593,731
-	-	-	114,793	-	114,793
-	-	-	-	-	1,050,026
-	-	-	12,929,545	-	12,929,545
-	-	-	-	30,405	30,405
-	-	-	-	849,898	1,263,713
-	-	-	-	114,085	125,366
1,210,446	16,224,136	618,535	13,044,338	1,497,449	67,617,808
-	-	-	536,870	-	1,141,277
1,016,847	15,083,035	605,066	12,427,844	1,088,879	65,801,528
-	-	-	-	810,089	1,235,654
1,016,847	15,083,035	605,066	12,964,714	1,898,968	68,178,459
1,156,228	15,614,609	584,585	1,091,118	2,909,220	53,472,785

Warren County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 12,347,304	11,582,933	11,434,820	11,441,171
Interest and penalty on property tax	125,890	134,118	131,188	149,108
Intergovernmental	9,050,387	8,295,071	8,259,026	10,424,897
Licenses and permits	59,335	49,065	50,799	45,255
Charges for service	1,294,223	1,154,244	1,106,315	1,067,973
Use of money and property	72,103	75,528	83,556	90,910
Miscellaneous	613,260	1,137,620	685,458	594,686
Total	\$ 23,562,502	22,428,579	21,751,162	23,814,000
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 4,678,285	4,573,861	4,294,861	4,004,824
Physical health and social services	2,957,533	2,836,202	3,042,371	2,652,571
Mental health	1,772,073	4,802,080	3,906,062	2,895,774
County environment and education	1,297,723	1,467,779	1,116,563	1,119,994
Roads and transportation	6,008,547	5,182,055	5,473,688	5,861,559
Governmental services to residents	1,087,588	826,576	772,331	749,897
Administration	2,608,887	2,594,163	2,478,993	2,406,804
Non-program	17,742	17,828	281	175
Debt service	46,336	25,905	25,905	443,520
Capital projects	1,242,074	1,209,194	682,129	2,579,032
Total	\$ 21,716,788	23,535,643	21,793,184	22,714,150

See accompanying independent auditor's report.



Modified Accrual Basis						
2009	2008	2007	2006	2005	2004	
11,453,420	10,856,199	10,012,217	9,039,256	8,744,970	7,622,726	
142,432	150,009	134,630	129,981	118,383	116,564	
9,863,840	7,226,199	7,991,557	7,112,383	6,127,442	6,520,945	
53,085	56,375	72,145	88,350	103,448	89,430	
1,088,935	1,117,378	1,053,691	1,137,039	1,030,308	1,059,635	
138,804	364,291	448,356	285,375	154,853	113,016	
528,665	469,577	409,063	502,144	633,937	521,659	
23,269,181	20,240,028	20,121,659	18,294,528	16,913,341	16,043,975	
3,989,306	3,948,411	3,728,866	3,674,865	3,988,525	3,198,521	
2,494,732	2,421,017	2,377,752	2,054,666	1,792,350	1,745,733	
2,756,204	2,951,364	2,743,476	2,713,918	2,634,837	2,275,267	
1,183,451	959,022	935,270	804,023	841,841	703,017	
5,577,710	5,905,350	5,270,656	4,925,412	4,759,210	4,522,201	
767,527	644,439	618,230	897,476	575,169	514,115	
2,595,841	2,252,355	2,149,060	2,049,422	1,866,473	1,759,019	
6,131	12,804	3,289	-	80,000	-	
516,944	554,828	658,125	765,977	496,495	437,248	
1,613,199	643,925	883,407	479,805	1,057,685	1,418,113	
21,501,045	20,293,515	19,368,131	18,365,564	18,092,585	16,573,234	

**Schedule 6**

## Warren County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments to States in Lieu of Real Estate Taxes	15.226		\$ 13,385
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		386
Total direct			13,771
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561		18,846
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance			
	16.575	VA-13-40	28,161
Violence Against Women Formula Grants			
	16.588	VW-13-40	29,125
Governor's Office of Drug Control Policy:			
Polk County Sheriff:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories			
	16.803	09JAG/ARRA-3460B	47,008
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
	20.205	HDP-CO91(87)-71-91	188,003
Highway Planning and Construction			
	20.205	ERFM-CO91(S23)-60-91	27,837
			215,840
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasurers Incentive Grants			
	20.601	13-04, Task 26	44,550

Warren County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT91	5,185
Public Health Emergency Preparedness	93.069	5883BT91	48,451
			<u>53,636</u>
Immunization Grants	93.268	5882I477	3,685
Immunization Grants	93.268	5883I477	4,417
			<u>8,102</u>
Maternal and Child Health Services Block Grant to the States	93.994	5882MH28	800
Maternal and Child Health Services Block Grant to the States	93.994	5883MH28	33,819
			<u>34,619</u>
Iowa Department on Aging:			
Aging Resources of Central Iowa:			
Aging Cluster Programs:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		64,703
Nutrition Services Incentive Program	93.053		44,727 *
			<u>109,430</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		88
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,369
Foster Care - Title IV-E	93.658		6,557
Adoption Assistance	93.659		1,833
Social Services Block Grant	93.667		5,703
Children's Health Insurance Program	93.767		72
Children's Health Insurance Program	93.767		1,383,278
			<u>1,383,350</u>
Medical Assistance Program	93.778		<u>18,791</u>

**Schedule 6**

Warren County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042	EMPG-13-PT-91	36,220
Total indirect			<u>2,046,228</u>
Total			<u>\$ 2,059,999</u>

\* Includes \$7,043 of non-cash awards.

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

See accompanying independent auditor's report.



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

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Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Warren County:

We have audited 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren County's internal control. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-13 through II-M-13 to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Warren County's Responses to the Findings


Warren County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Warren County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2014

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Warren County**





OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Independent Auditor's Report on Compliance  
for each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Warren County:

Report on Compliance for Each Major Federal Program

We have audited Warren County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. Warren County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Warren County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Warren County's compliance.

Opinion on Each Major Federal Program

In our opinion, Warren County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.


## Report on Internal Control Over Compliance


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2014

Warren County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.767 – Children's Health Insurance Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – During our review of internal control, the existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- |   |  |
|---|--|
| (7) Checks are not restrictively endorsed upon receipt by the mail opener.  | Sheriff  |
| (8) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts. | Engineer,<br>Environmental<br>Health, Emergency<br>Management/E911 |

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

Responses –

- (a) Zoning – The Warren County Zoning Department is limited with only two employees. We double check all receipts and do timely deposits with the Warren County Treasurer’s Office.
- (b) Sheriff – The Sheriff’s Office will have the County Auditor’s Office also check bank statements once they are done within the Sheriff’s Office.
- (c) Congregate Meals – I am the only person in my department who can make deposits. All monies are verified by two people at the meal site, verified by the bank and then sent to me. It is verified again and deposited to the Treasurer who verifies the deposit.
- (d) Engineer – Internal control procedures will be reviewed when the new County Engineer is appointed, with independent reviews over the fuel inventory and accounts receivable emphasized.
- (e) Recorder – We do the best we can to have dual control in our procedures. We train each employee to do everything in the office to handle dual controls.
- (f) MH/DD Community Services – We will continue to work towards different staff receipting, reviewing receipts and matching to the book as well as try to ensure a third party delivers receipts to the Treasurer’s Office.
- (g) Environmental Health – Segregation of duties is difficult with small staff.
- (h) Conservation – Limited staff and the fact no single staff person’s duties allow them to be at the main office each day, all day, make the segregation of duties difficult, if not impossible. Every effort will be made to ensure all receipts are handled properly. Short of adding full time staff, no more can be done.
- (i) Friends of Warren County Conservation – Every effort is made to ensure all receipts are handled properly. Short of adding full time staff, no more could be done. While I regularly consult with the FWCC organization to help coordinate efforts, I am not involved with day to day operations.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- (j) Treasurer – We do not have enough staff. All tax employees have the ability to make entries and void receipts.
- (k) Emergency Management/E911 – This is a two person office. If one person is gone, checks are locked in a drawer until the other person returns.
- (l) County Extension Office – As of July 13, 2013, a Council member who does not sign checks has been reviewing and signing the bank reconciliation.

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

II-B-13 Financial Reporting – During the audit, we identified the following financial reporting errors:

Receivables – Receivables of \$21,000 for public health, \$42,000 for a safety grant and \$70,000 for a highway grant were not recorded in the County's financial statements.

Payables – While not material, a payable for \$21,330 for an E911 software maintenance contract was improperly accrued to fiscal year 2013.

Sheriff's law enforcement contracts – Law enforcement contract receivables totaling \$58,000 were not recorded in the County's financial statements.

Capital assets – Certain projects added to the infrastructure report were below the capitalization threshold.

Adjustments were subsequently made by the County to properly include the receivables, the sheriff law enforcement contracts and capital assets in the financial statements.

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

Response –

Receivables and Payables – The County will work on educating staff on correctly identifying receivables and payables at year end. These particular items will be reviewed specifically to ensure proper recording next fiscal year.

Sheriff's law enforcement contracts – A separate ledger will be maintained showing the billing dates and when the receipts are received in the Sheriff's Office.

Capital assets – The capital asset infrastructure threshold of \$50,000 will be followed in the future.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-C-13 County Sheriff – A current trust listing is not maintained and reconciled with book balances.

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

Response – We will look into this and make the appropriate change.

Conclusion – Response accepted.

II-D-13 Jail Commissary – One individual collects, deposits and records receipts for the Jail Commissary. The listing of inmate receipts is not reconciled to receipt records and deposited by an independent person. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts. Unused checks and signature stamps are not adequately controlled.

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

Response – Bank reconciliations will be done including the help of the County Auditor's Office.

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

II-E-13 Commissary Prestige Cards – The Commissary uses Prestige Cards to transfer inmate balances to prepaid MasterCard for released inmates. Because the cards have no monetary value until they are authorized, an inventory listing is not maintained.

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

Response – We set in motion a system to track these cards.

Conclusion – Response accepted.

II-F-13 Public Health Nurse – Reconciliations of nursing service billings, collections and receivables were not prepared each month.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

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

II-G-13 Warren County Necessity Pantry – One individual purchases supplies, collects donated supplies and dispenses goods to families who qualify for assistance. Although, the items provided to families are tracked each month, they are not tracked by an independent person. Additionally, the donated items are not added to the inventory listing.

Recommendation – The County should review the operating procedures in the office to obtain the maximum control possible under the circumstances. Donated items should be accounted for in the inventory listings.

Response – I will work on a tracking system for donated items. With many donations, it is difficult to track down the exact number of products and supplies donated. However, we will try. I do keep track of items purchased through receipts and a spreadsheet showing money spent. Each receipt shows individual items participants purchase through a spreadsheet that is updated each time the pantry is open.

Conclusion – Response acknowledged. The County should review the operating procedures in the office to obtain the maximum control possible. Donated items should be accounted for in the inventory listings.

II-H-13 Payroll Journal – Payroll journals are not independently reviewed timely to ensure actual payroll agrees with timesheets.

Recommendation – Payroll journals should be independently reviewed bi-weekly to detect errors timely.

Response – The County will perform payroll journal entry reviews on a more timely basis in the future.

Conclusion – Response accepted.

II-I-13 City Law Enforcement Contracts – The County Sheriff contracts with cities within the County to provide law enforcement services. Billings, collections and receivables for these contracts are not accounted for.

Recommendation – The County Sheriff should maintain a ledger to document contract law enforcement billings, collections and receivables. This ledger should be reconciled to deposits by an independent person.

Response – A ledger will be established and will have an independent person reconcile the deposits.

Conclusion – Response accepted.



Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-J-13 Travel Claims – One meal reimbursement tested was supported by a credit card receipt rather than an original vendor invoices.

Recommendation – The County should amend its travel policy to require detailed vendor receipts for meal reimbursements.

Response - The claims policy was amended on May 21, 2013 to require detailed vendor receipts.

Conclusion – Response accepted.

II-K-13 New Vendor Verification – The County has not established procedures to ensure all vendors added to the accounts payable system are legitimate.

Recommendation – The County should establish procedures to ensure all vendors added to the County’s accounts payable system are legitimate.

Response – The County will adopt a policy to review new vendors to determine their legitimacy. The review may include, but is not limited to, searching on the internet for business activity and ownership information.

Conclusion – Response accepted.

II-L-13 Capital Assets – In August of 2012, the County purchased 35 ballot box scanners and 33 handicap scanners. During the year end inventory count, we noted one ballot box scanner and four handicapped scanners missing. The County Auditor’s Office had sent the equipment to the vendor for replacement, but the replacement equipment was never received. The vendor was subsequently contacted and replacement equipment is being sent to the County.

Recommendation – The County should establish procedures to ensure capital assets are properly tracked and accounted for.

Response – The County Auditor’s office will create a check out and inventory system for election equipment when it is sent away for repair. Follow ups will be made timely to monitor the status of the equipment.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-M-13 Cell Phones – Certain employees are provided a County owned cell phone while others receive a stipend for personal cell phones, both for use while on County business. Monthly cell phone bills are received in individual departments where the department heads approve payment and forward the bills to the County Auditor's Office for payment. In certain instances, only the first page of a bill is remitted to the County Auditor, making it difficult for the County to ensure the bills are only for County employees and include no additional, unallowable charges.

Recommendation – The County should establish policies and procedures to require all departments to forward the entire original cell phone bill to the Auditor's office for payment.

Response – We will amend our cell phone policy to require the entire original bill be submitted to the Auditor's office for reimbursement.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 Questionable Expenditures – During the year ended June 30, 2013, the County purchased sixty-five water bottles at a cost of \$577 for a turkey trot. The water bottles were purchased for employees as part of the County's wellness program. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

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

Response – The purchase of the water bottles was an incentive for employees to utilize them as they began or continued their workout/fitness routines throughout the year starting with the turkey trot challenge. The County believes a healthy workforce means less health care costs, a more efficient organization, less absenteeism and more positive employees. The County intends to continue offering incentives but will establish a written policy indicating the public purpose of these disbursements prior to authorizing future purposes.

Conclusion – Response accepted.

IV-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-D-13 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments	\$ 10,340
Andy Coffman, Secondary Roads employee, brother owns Coffman Glass	Supplies for Engineer	1,229

The transactions with Mary Taylor do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(d) of the Code of Iowa since her remuneration of employment is not directly affected as a result of the contracts and her duties of employment do not directly involve the procurement or preparation of any part of the contracts. The transactions with Andy Coffman do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since total transactions were less than \$1,500 during the fiscal year.

- IV-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-13 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-13 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, 2013 for the County Extension Office did not exceed the amount budgeted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-J-13 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

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

Response – We will contact the bank to ensure we get both the front and back of the checks.

Conclusion – Response accepted.

IV-K-13 Sheriff's D.A.R.E. Account – The County Sheriff maintains a bank account for the D.A.R.E. program. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

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

Response – We will work with the County Auditor to get this set into motion.

Conclusion – Response accepted.

IV-L-13 Commissary Account – The County Sheriff maintains a bank account for the Commissary. The financial activity of this account includes bond activity which should be reflected in the Sheriff Fees account. In addition, Commissary profits should be remitted to the County Treasurer at least annually.

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

Response – We will have the County Auditor help to make sure this is being done.

Conclusion – Response accepted.

IV-M-13 Sheriff Fees Account – The County Sheriff maintains a bank account for Sheriff fees. The financial activity of this account includes grants and forfeiture activity which should be deposited directly with the County Treasurer for the General Fund or a Special Revenue Fund.

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

Response – We will work with the County Auditor to get this handled.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-N-13 Advertising and Letting of Capital Project – Chapter 309.40 of the Code of Iowa requires all contracts for road or bridge construction work and materials for which the engineer’s estimate exceeds the bid threshold (set by the bid threshold committee established by Chapter 314.1B of the Code of Iowa) be advertised and let at a public meeting. During the year, one road project with a cost exceeding the bid threshold was not publicly advertised as required.

Recommendation – The County should comply with the requirements of Chapter 309.40 of the Code of Iowa for all road and bridge projects with estimated costs exceeding the bid threshold.

Response – The County did seek bids from the Department of Transportation weekly bid sheet and the Associated Contractors webpage. Two bids were obtained through this process. The County inadvertently failed to advertise in the local newspapers. The County will ensure the required publications are prepared for future projects.

Conclusion – Response accepted.

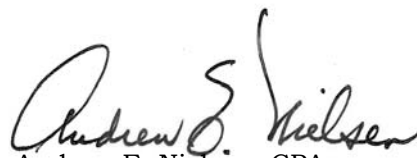
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Warren County

Staff

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