



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 8, 2014

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$26,673,004 for the year ended June 30, 2013, which included \$1,420,077 in tax credits from the state. The County forwarded \$20,353,474 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,319,530 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$3,016,290, operating grants and contributions of \$3,933,949, capital grants and contributions of \$2,746,608, tax increment financing of \$31,711, local option sales tax of \$955,398, unrestricted investment earnings of \$69,804 and other general revenues of \$434,018.

Expenses for County operations for the year ended June 30, 2013 totaled \$14,612,073, an 11% decrease from the prior year. Expenses included \$5,674,116 for roads and transportation, \$3,260,764 for public safety and legal services and \$1,599,857 for administrative 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/1310-0014-B00F.pdf>.

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

JUNE 30, 2013

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Carroll County

Carroll County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Beardmore	Board of Supervisors	Jan 2013
Neil Bock	Board of Supervisors	Jan 2013
Eugene Meiners	Board of Supervisors	Jan 2013
Marty Danzer	Board of Supervisors	Jan 2015
Dan Nieland	Board of Supervisors	Jan 2015
Joan Schettler	County Auditor	Jan 2013
Peggy Weitl	County Treasurer	Jan 2015
Marilyn Dopheide	County Recorder	Jan 2015
Douglas R. Bass	County Sheriff	Jan 2013
John Werden	County Attorney	Jan 2015
Diane S. Janning	County Assessor	Jan 2016

(After January 2013)

Marty Danzer	Board of Supervisors	Jan 2015
Dan Nieland	Board of Supervisors	Jan 2015
Mark Beardmore	Board of Supervisors	Jan 2017
Neil Bock	Board of Supervisors	Jan 2017
Eugene Meiners	Board of Supervisors	Jan 2017
Joan Schettler	County Auditor	Jan 2017
Peggy Weitl	County Treasurer	Jan 2015
Marilyn Dopheide	County Recorder	Jan 2015
Douglas R. Bass	County Sheriff	Jan 2017
John Werden	County Attorney	Jan 2015
Diane S. Janning	County Assessor	Jan 2016

Carroll County



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Independent Auditor's Report

To the Officials of Carroll County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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 11 through 18 and 52 through 56 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 Carroll 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 8 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 March 18, 2014 on our consideration of Carroll 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 Carroll County's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA
Auditor of State

March 18, 2014



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Carroll County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll 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 7.3%, or approximately \$1,190,000, from fiscal year 2012 to fiscal year 2013. Capital grants and contributions increased approximately \$1,862,000, operating grants and contributions decreased approximately \$1,042,000 and charges for service increased approximately \$170,000.
- Governmental activities expenses decreased 11.4%, or approximately \$1,863,000, in fiscal year 2013 from fiscal year 2012. Mental health expenses decreased approximately \$1,803,000, public safety and legal services expenses increased approximately \$220,000, roads and transportation expenses decreased approximately \$209,000 and county environment and education expenses decreased approximately \$165,000.
- Governmental activities net position increased 6.9%, or approximately \$2,877,000, 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 Carroll 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 Carroll County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Carroll 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, the nonmajor proprietary and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 County's Enterprise, Mt. Carmel Sewer and Maple River Sewer Funds and the Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net 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 which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Carroll County's combined net position increased from a year ago, from approximately \$42.2 million to approximately \$45.1 million. The analysis that follows focuses on the changes in net position.

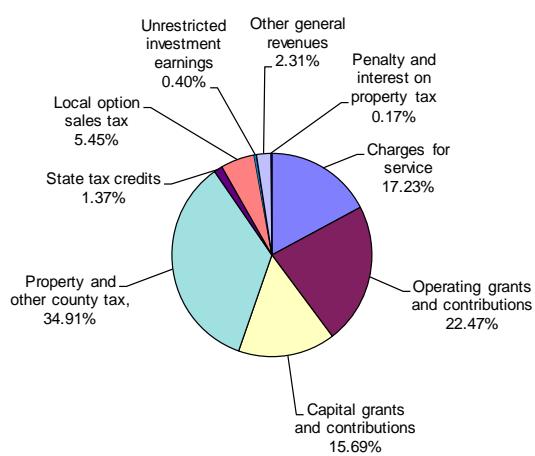
Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 18,935	18,595	70	31	19,005	18,626
Capital assets	32,433	30,396	982	1,008	33,415	31,404
Total assets	51,368	48,991	1,052	1,039	52,420	50,030
Long-term liabilities	471	428	358	364	829	792
Other liabilities	6,453	6,996	2	1	6,455	6,997
Total liabilities	6,924	7,424	360	365	7,284	7,789
Net position:						
Net investment in capital assets	32,433	30,396	624	644	33,057	31,040
Restricted	8,604	7,380	-	-	8,604	7,380
Unrestricted	3,407	3,791	68	30	3,475	3,821
Total net position	\$ 44,444	41,567	692	674	45,136	42,241

Net position of Carroll County's governmental activities increased 6.9% (from approximately \$41.6 million to approximately \$44.4 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted governmental activities net position – the part of governmental activities net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$3,791,000 at June 30, 2012 to approximately \$3,407,000 at the end of this year, a decrease of 10.1%.

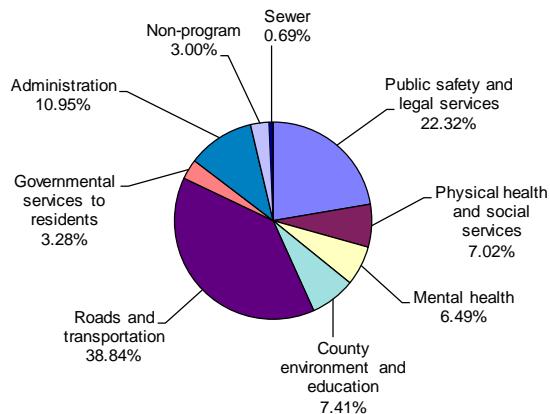
Changes in Net Position of Governmental and Business Type Activities
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for service	\$ 2,898	\$ 2,728	119	44	3,017	2,772
Operating grants and contributions	3,934	4,976	-	-	3,934	4,976
Capital grants and contributions	2,746	884	-	5	2,746	889
General revenues:						
Property and other county tax, including tax increment financing	6,112	6,101	-	-	6,112	6,101
Penalty and interest on property tax	30	-	-	-	30	-
State tax credits	239	217	-	-	239	217
Local option sales tax	955	994	-	-	955	994
Unrestricted investment earnings	70	111	-	-	70	111
Other general revenues	404	187	-	-	404	187
Total revenues	17,388	16,198	119	49	17,507	16,247
Program expenses:						
Public safety and legal services	3,261	3,041	-	-	3,261	3,041
Physical health and social services	1,026	1,137	-	-	1,026	1,137
Mental health	948	2,751	-	-	948	2,751
County environment and education	1,083	1,248	-	-	1,083	1,248
Roads and transportation	5,674	5,883	-	-	5,674	5,883
Governmental services to residents	480	483	-	-	480	483
Administration	1,600	1,559	-	-	1,600	1,559
Non-program	439	272	-	-	439	272
Sewer	-	-	101	63	101	63
Total expenses	14,511	16,374	101	63	14,612	16,437
Change in net position	2,877	(176)	18	(14)	2,895	(190)
Net position beginning of year	41,567	41,743	674	688	42,241	42,431
Net position end of year	\$ 44,444	41,567	692	674	45,136	42,241

Revenues by Source



Expenditures by Program



Carroll County's governmental activities net position increased approximately \$2,877,000 during the year. Revenues for governmental activities increased approximately \$1,190,000 over the prior year, with capital grants and contributions increasing approximately \$1,862,000 over the prior year. The County's operating grants and contributions decreased approximately \$1,042,000 and charges for service increased approximately \$170,000. The increases and decrease were primarily the result of changes in the mental health budget and completion of road and bridge projects paid for by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$14.5 million compared to approximately \$16.4 million last year. However, as shown in the Statement of Activities on pages 22 and 23, the amount taxpayers ultimately financed for these activities was approximately \$4.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,898,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,680,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased from approximately \$8,588,000 in fiscal year 2012 to approximately \$9,578,000 in fiscal year 2013, principally due to an increase in contributions for road projects from the State of Iowa. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Carroll County completed the year, its governmental funds reported a combined fund balance of approximately \$11.8 million, a decrease of approximately \$911,000 from last year's total of approximately \$10.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased approximately \$334,000 and \$103,000, respectively. Revenues increased due to an increase in property values resulting in an increase in property tax collections. Expenditures increased due primarily to increased costs in the law enforcement program. The ending fund balance decreased approximately \$399,000.
- Special Revenue, Mental Health Fund revenues and expenditures decreased approximately \$1,539,000 and \$1,797,000, respectively, due, in part, to the State of Iowa retaining property tax relief funds and performing the Medicaid billing. The Special Revenue, Mental Health Fund balance increased approximately \$350,000 over the prior year to approximately \$2,957,000 at year end.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$77,000 from the prior year to approximately \$285,000. This decrease is primarily due to an increase in the transfers made to the Special Revenue, Secondary Roads Fund. Also, the amount of LOST monies allocated for rural services was approximately \$478,000, a decrease of approximately \$19,000 from the prior year. Rural Services Fund expenditures decreased approximately \$4,000 when compared to the prior year.
- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$895,000 from the prior year, primarily due to a decrease in road and bridge projects paid for by the County. The Secondary Roads Fund balance increased approximately \$720,000 to approximately \$3,704,000 at year end.

BUDGETARY HIGHLIGHTS

Over the course of the year, Carroll County amended its budget two times. The first amendment was made in December 2012 and resulted in an increase in budgeted disbursements of approximately \$380,000, related primarily to conservation capital projects, new software, workers compensation insurance and Ambulance Department disbursements.

The second amendment was made in May 2013. This amendment was made to decrease budgeted disbursements approximately \$1,255,000, primarily due to changes in the mental health budget resulting from the State of Iowa's responsibility for Medicaid billing.

The County's receipts were approximately \$80,000 more than budgeted. Miscellaneous receipts were approximately \$152,000 more than budgeted, primarily due to the Hungry Canyons reimbursement and the State of Iowa sign replacement reimbursement.

Total disbursements were approximately \$2,378,000 less than the final amended budget. Actual disbursements for the roads and transportation, capital projects, mental health, public safety and legal services and physical health and social services functions were approximately \$707,000, \$697,000, \$612,000, \$126,000 and \$103,000 respectively, less than budgeted.

Mental health function disbursements were approximately \$612,000 less than budgeted due to the County budgeting for Medicaid non federal share and the State of Iowa Legislature switching the responsibility to the State, resulting in the reduction in disbursements.

In the roads and transportation function, disbursements for snow and ice control were approximately \$46,000 less than budgeted due to mild winter weather. Also, approximately \$115,000 was budgeted for a shed in Manning. However, the project did not occur in fiscal year 2013. The County also spent approximately \$12,000 less for traffic controls than budgeted. Also, approximately \$259,000 was budgeted for equipment. However, equipment was not purchased in fiscal year 2013. The County also spent approximately \$268,000 less for equipment operations. This is primarily due to the lower cost of fuel. The difference in capital projects function disbursements was primarily due to the County budgeting approximately \$1,145,000 for roadway construction but only disbursing approximately \$581,000 for projects in fiscal year 2013. Also, approximately \$24,000 was budgeted for potential capital projects which did not occur. Also, approximately \$91,000 was budgeted for conservation capital projects. However, the projects did not occur in fiscal year 2013.

Public safety and legal services function disbursements were less than the amount budgeted, primarily due to a \$35,000 in transfer for ambulance services which was initially budgeted as a disbursement rather than a transfer. The County budgeted approximately \$83,000 for emergency management. However, actual disbursements were approximately \$59,000. This is due to the hazard mitigation project being unfinished and emergency management requesting less money. Also, adult correctional services disbursed approximately \$20,000 less than budgeted. This is due primarily to employee insurance changes and food preparation costs. Administration function disbursements were approximately \$13,000 less than budgeted. This is primarily due to sheriff equipment not purchased and fewer equipment repairs. The County Ambulance Department disbursed approximately \$9,000 less than budgeted due to fewer part time hours. Also, uniformed patrol disbursed approximately \$13,000 less than budgeted. This is primarily due to employee health insurance changes. The criminal prosecution office disbursed approximately \$7,000 less than budgeted due to a part time employee resigning and the position not being filled.

Physical health and social services function disbursements were less than the amount budgeted. This is primarily due to the Mt. Carmel and Maple River interfund loans. Also, disbursements were approximately \$36,000 less than budgeted for the home care aides. This is primarily due to the pass through grant and employee retirement. The County Sanitarian disbursed approximately \$6,000 less than budgeted for contract labor, postage and motor vehicle repair. The Health Administration Office disbursed approximately \$4,000 less than budgeted due to

an employee death. Also, the General Welfare Services Office disbursed approximately \$7,000 less than budgeted due to fewer clients. In addition, the County budgeted approximately \$17,000 for treatment services. However, disbursements were approximately \$14,000 less than budgeted due to fewer clients in the system. Also, the County Department of Human Services Office disbursed approximately \$28,000 less than budgeted for general office supplies, equipment, postage and utilities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Carroll County had approximately \$32.4 million invested in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of approximately \$2,036,000, or 6.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 1,755	1,755
Buildings	4,090	4,207
Improvements other than buildings	73	66
Equipment and vehicles	3,859	3,746
Infrastructure	22,455	20,370
Construction in progress	201	252
Total	\$ 32,433	30,396

The County had governmental activities depreciation expense of approximately \$1,920,000 in fiscal year 2013 and total accumulated depreciation of approximately \$28,697,000 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 both June 30, 2013 and June 30, 2012, Carroll County had no long-term debt outstanding for governmental activities.

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. Carroll County's constitutional debt limit is approximately \$87 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Carroll 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 in June 2013 was 3.4% versus 3.6% the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$15.4 million, a decrease of 6.1% from the final fiscal year 2013 budget. The County added no major new programs or initiatives to the fiscal year 2014 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,509,000 by the close 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 Carroll 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 Carroll County Auditor's Office, 114 E. 6th, Carroll, Iowa 51401.

Basic Financial Statements

Carroll County

Carroll County

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Activities	Type	Total
Assets				
Cash, cash equivalents and pooled investments :				
County Treasurer	\$ 10,495,689	66,069	10,561,758	
Conservation Foundation	64,443	-	64,443	
Receivables:				
Property tax:				
Delinquent	5,447	-	5,447	
Succeeding year	5,863,000	-	5,863,000	
Interest and penalty on property tax	56,547	-	56,547	
Accounts (net of allowance for doubtful accounts of \$107,398)	222,676	4,044	226,720	
Accrued interest	14,949	46	14,995	
Internal balances	358,000	(358,000)	-	
Due from other governments	474,608	-	474,608	
Inventories	1,213,239	-	1,213,239	
Prepaid expenses	166,242	-	166,242	
Capital assets - depreciable, net of accumulated depreciation	30,476,387	956,278	31,432,665	
Capital assets - nondepreciable	1,956,299	25,500	1,981,799	
Total assets	51,367,526	693,937	52,061,463	
Liabilities				
Accounts payable	502,281	2,238	504,519	
Salaries and benefits payable	25,046	-	25,046	
Due to other governments	62,862	-	62,862	
Unearned revenue:				
Succeeding year property tax	5,863,000	-	5,863,000	
Long-term liabilities:				
Portion due or payable within one year:				
Compensated absences	200,009	-	200,009	
Portion due or payable after one year:				
Compensated absences	16,354	-	16,354	
Net OPEB liability	254,002	-	254,002	
Total liabilities	6,923,554	2,238	6,925,792	
Net Position				
Net investment in capital assets	32,432,686	623,778	33,056,464	
Restricted for:				
Supplemental levy purposes	141,939	-	141,939	
Mental health purposes	2,940,179	-	2,940,179	
Rural services purposes	274,604	-	274,604	
Secondary roads purposes	3,544,893	-	3,544,893	
Capital projects	163,707	-	163,707	
Other purposes	1,538,770	-	1,538,770	
Unrestricted	3,407,194	67,921	3,475,115	
Total net position	\$ 44,443,972	691,699	45,135,671	

See notes to financial statements.

Carroll County

Statement of Activities

Year ended June 30, 2013

	Program Revenues			
	Charges for Service Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,260,764	1,075,424	139,588	-
Physical health and social services	1,025,880	199,687	270,628	-
Mental health	947,814	-	342,534	-
County environment and education	1,083,537	212,804	39,620	54,927
Roads and transportation	5,674,116	464,371	3,141,579	2,691,681
Governmental services to residents	479,760	404,786	-	-
Administration	1,599,857	110,045	-	-
Non-program	439,551	430,568	-	-
Total governmental activities	<u>14,511,279</u>	<u>2,897,685</u>	<u>3,933,949</u>	<u>2,746,608</u>
Business type activities:				
Sewer	100,794	118,605	-	-
Total	<u>\$ 14,612,073</u>	<u>3,016,290</u>	<u>3,933,949</u>	<u>2,746,608</u>

General Revenues:

Property and other county tax levied for general purposes

Tax increment financing

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Gain on disposition of capital assets

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

See notes to financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
Business		
Governmental Activities	Type Activities	Total
(2,045,752)	-	(2,045,752)
(555,565)	-	(555,565)
(605,280)	-	(605,280)
(776,186)	-	(776,186)
623,515	-	623,515
(74,974)	-	(74,974)
(1,489,812)	-	(1,489,812)
(8,983)	-	(8,983)
<u>(4,933,037)</u>	-	<u>(4,933,037)</u>
-	17,811	17,811
<u>(4,933,037)</u>	<u>17,811</u>	<u>(4,915,226)</u>
6,080,614	-	6,080,614
31,711	-	31,711
30,321	-	30,321
238,916	-	238,916
955,398	-	955,398
69,740	64	69,804
64,397	-	64,397
339,300	-	339,300
<u>7,810,397</u>	<u>64</u>	<u>7,810,461</u>
2,877,360	17,875	2,895,235
<u>41,566,612</u>	<u>673,824</u>	<u>42,240,436</u>
<u>\$ 44,443,972</u>	<u>691,699</u>	<u>45,135,671</u>

Carroll County

Balance Sheet
Governmental Funds

June 30, 2013

		Special Revenue	
		Mental Health	Rural Services
	General		
Assets			
Current assets:			
Cash,cash equivalents and pooled investments:			
County Treasurer	\$ 2,718,346	2,938,957	249,302
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	4,382	1,065	-
Succeeding year	4,065,000	24,000	1,774,000
Interest and penalty on property tax	56,547	-	-
Accounts (net of allowance for doubtful accounts of \$107,39	204,806	-	50
Accrued interest	14,809	-	-
Due from other funds	-	-	-
Due from other governments	84,478	39,952	38,675
Inventories	-	-	-
Prepaid expenditures	156,744	-	-
Non current assets:			
Due from other funds/ advances to other funds	-	-	-
Total assets	\$ 7,305,112	3,003,974	2,062,027
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 122,825	20,168	144
Salaries and benefits payable	21,775	325	-
Due to other funds	7,731	131	3,238
Due to other governments	60,589	1,472	-
Unearned revenue:			
Succeeding year property tax	4,065,000	24,000	1,774,000
Other	93,001	1,065	-
Total liabilities	4,370,921	47,161	1,777,382
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	156,744	-	-
Restricted for:			
Supplemental levy purposes	158,196	-	-
Mental health purposes	-	2,956,813	-
Rural services purposes	-	-	284,645
Secondary roads purposes	-	-	-
Other purposes	-	-	-
Assigned for:			
County Attorney fine collections	66,722	-	-
Capital projects and equipment	-	-	-
Unassigned	2,552,529	-	-
Total fund balances	2,934,191	2,956,813	284,645
Total liabilities and fund balances	\$ 7,305,112	3,003,974	2,062,027

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,313,407	1,423,021	9,643,033
-	64,443	64,443
-	-	5,447
-	-	5,863,000
-	-	56,547
5,794	2,140	212,790
-	-	14,809
13,609	16,997	30,606
272,828	38,675	474,608
1,213,239	-	1,213,239
9,498	-	166,242
-	341,003	341,003
<u>3,828,375</u>	<u>1,886,279</u>	<u>18,085,767</u>
119,524	-	262,661
2,946	-	25,046
-	2,509	13,609
801	-	62,862
-	-	5,863,000
653	-	94,719
<u>123,924</u>	<u>2,509</u>	<u>6,321,897</u>
1,213,239	-	1,213,239
9,498	-	166,242
-	-	158,196
-	-	2,956,813
-	-	284,645
2,481,714	-	2,481,714
-	1,702,477	1,702,477
-	-	66,722
-	181,293	181,293
-	-	2,552,529
<u>3,704,451</u>	<u>1,883,770</u>	<u>11,763,870</u>
<u>3,828,375</u>	<u>1,886,279</u>	<u>18,085,767</u>

Carroll County

Carroll County

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

June 30, 2013

Total governmental fund balances (page 25) \$ 11,763,870***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 \$61,129,355 and the accumulated depreciation is \$28,696,669.

32,432,686

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

94,719

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

623,062

Long-term liabilities, including compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(470,365)**Net position of governmental activities (page 21)**

\$ 44,443,972

See notes to financial statements.

Carroll County

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

Year ended June 30, 2013

	General	Mental Health	Special Revenue
			Rural Services
Revenues:			
Property and other county tax	\$ 3,722,803	915,687	1,440,163
Local option sales tax	-	-	477,699
Interest and penalty on property tax	29,747	-	-
Tax increment financing	-	-	-
Intergovernmental	576,562	370,147	60,475
Licenses and permits	40,116	-	1,230
Charges for service	1,736,114	-	-
Use of money and property	166,207	-	-
Miscellaneous	70,740	8,384	-
Total revenues	6,342,289	1,294,218	1,979,567
Expenditures:			
Operating:			
Public safety and legal services	2,774,153	-	345,727
Physical health and social services	1,017,939	-	-
Mental health	-	943,930	-
County environment and education	813,154	-	147,297
Roads and transportation	-	-	25,000
Governmental services to residents	438,394	-	-
Administration	1,489,117	-	-
Capital projects	-	-	-
Total expenditures	6,532,757	943,930	518,024
Excess (deficiency) of revenues over (under) expenditures	(190,468)	350,288	1,461,543
Other financing sources (uses):			
Sale of capital assets	1,195	-	-
Operating transfers in	-	-	-
Operating transfers out	(210,000)	-	(1,539,000)
Total other financing sources (uses)	(208,805)	-	(1,539,000)
Change in fund balances	(399,273)	350,288	(77,457)
Fund balances beginning of year	3,333,464	2,606,525	362,102
Fund balances end of year	\$ 2,934,191	2,956,813	284,645

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	6,078,653
-	477,699	955,398
-	-	29,747
-	31,711	31,711
3,206,606	32,758	4,246,548
2,980	-	44,326
-	48,285	1,784,399
-	47,664	213,871
690,540	32,826	802,490
3,900,126	670,943	14,187,143
<hr/>		
-	-	3,119,880
-	-	1,017,939
-	-	943,930
-	71,929	1,032,380
4,305,395	-	4,330,395
-	120,089	558,483
-	-	1,489,117
592,699	195,097	787,796
4,898,094	387,115	13,279,920
<hr/>		
(997,968)	283,828	907,223
<hr/>		
-	3,000	4,195
1,718,000	31,000	1,749,000
-	-	(1,749,000)
1,718,000	34,000	4,195
720,032	317,828	911,418
2,984,419	1,565,942	10,852,452
3,704,451	1,883,770	11,763,870

Carroll 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 29) \$ 911,418***Amounts reported for governmental activities in the Statement of Activities are different because:***

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

Expenditures for capital assets	\$ 1,225,553
Capital assets contributed by other governments	2,670,891
Depreciation expense	<u>(1,920,293)</u> 1,976,151

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.

60,202

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

Property tax	1,961
Other	<u>(7,897)</u> (5,936)

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	(18,340)
Other postemployment benefits	<u>(24,054)</u> (42,394)

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

(22,081)**Change in net position of governmental activities (page 23)**\$ 2,877,360

See notes to financial statements.

Carroll County

Statement of Net Position
Proprietary Funds

June 30, 2013

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - Nonmajor	Internal Service - Employee Group Health
Assets		
Current assets:		
Cash and cash equivalents	\$ 66,069	852,656
Receivables:		
Accounts	4,044	9,886
Accrued interest	46	140
Capital assets, net of accumulated depreciation	981,778	-
Total assets	<u>1,051,937</u>	<u>862,682</u>
Liabilities		
Current liabilities:		
Accounts payable	2,238	239,620
Advances from other funds	16,997	-
Long-term liabilities:		
Advances from other funds	341,003	-
Total liabilities	<u>360,238</u>	<u>239,620</u>
Net Position		
Net investment in capital assets	623,778	-
Unrestricted	67,921	623,062
Total net position	<u>\$ 691,699</u>	<u>623,062</u>

See notes to financial statements.

Exhibit H

Carroll County

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

Year ended June 30, 2013

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise - Nonmajor</u>	<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$ -	757,440
Reimbursements from employees	-	424,249
Charges for service	118,605	-
Total operating revenues	118,605	1,181,689
Operating expenses:		
Medical claims	-	1,158,952
Administrative fees	-	47,435
Depreciation	26,160	-
Miscellaneous	57,558	-
Total operating expenses	83,718	1,206,387
Operating income (loss)	34,887	(24,698)
Non-operating revenues (expenses):		
Interest income	64	2,617
Interest expense	(15,108)	-
Miscellaneous	(1,968)	-
Total non-operating revenues (expenses)	(17,012)	2,617
Change in net position	17,875	(22,081)
Net position beginning of year	673,824	645,143
Net position end of year	\$ 691,699	623,062

See notes to financial statements.

Carroll County

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - Nonmajor	Internal Service - Employee Group Health
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ -	747,554
Cash received from employees and others	-	424,249
Cash received from sewer fees	118,518	-
Cash paid to suppliers for services	(56,443)	(1,151,470)
Net cash provided by operating activities	<u>62,075</u>	<u>20,333</u>
Cash flows from investing activities:		
Interest on investments	<u>74</u>	<u>4,348</u>
Cash flows from capital and related financing activities:		
Interfund loan proceeds	358,000	-
Principal paid on USDA loan	(364,138)	-
Interest paid on USDA loan	(15,108)	-
Miscellaneous	(1,968)	-
Net cash used by capital and related financing activities	<u>(23,214)</u>	<u>-</u>
Net increase in cash and cash equivalents	38,935	24,681
Cash and cash equivalents beginning of year	<u>27,134</u>	<u>827,975</u>
Cash and cash equivalents end of year	<u>\$ 66,069</u>	<u>852,656</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 34,887	(24,698)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	26,160	-
Increase in accounts receivable	(87)	(9,886)
Increase in accounts payable	1,115	54,917
Net cash provided by operating activities	<u>\$ 62,075</u>	<u>20,333</u>

See notes to financial statements.

Exhibit J

Carroll County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,355,488
Other County officials	11,622

Receivables:

Property tax:

Delinquent	31,946
Succeeding year	19,634,000

Accounts	25,072
Due from other governments	15,566

Total assets 21,073,694**Liabilities**

Accounts payable 5,647

Salaries and benefits payable 673

Due to other governments 21,059,237

Trusts payable 4,291

Compensated absences 3,846

Total liabilities 21,073,694**Net position**\$ -

See notes to financial statements.

Carroll County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

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

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

The Carroll County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Carroll County Conservation Board. These donations were expended to finance the Sauk Rail Trail and the Conservation Education Center and were not included in the County's budget. The financial transactions of this component unit have been reported in the Special Revenue and Capital Projects Funds.

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

In addition, the County Board of Supervisors are members of or appoint representatives to: West Central Iowa Sheltered Workshop (WESCO), Carroll Area Solid Waste Management Commission, Region XII Council of Governments, Youth Emergency Services (Y.E.S.), Ambulance, Conservation and Development.

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 units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

Restricted net 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 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 proprietary funds:

Enterprise Funds are utilized to account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

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.

The following fiduciary funds are also reported:

Agency Funds are used to account for assets held by the County as an agency 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-restricted 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 is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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 unearned in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

Due from/Advance to and Due to/Advances from 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, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net 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 and buildings	25,000
Land improvements	10,000
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	30 - 50
Land improvements	10 - 30
Infrastructure	15 - 65
Equipment	2 - 40
Vehicles	4 - 10

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

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

Unearned 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. Unearned 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. Unearned revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Unearned 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 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, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(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.

The County had an investment in the Iowa Public Agency Investment Trust which is valued at an amortized cost of \$185,000 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/Advances to and Due to/Advances from Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 7,731
Special Revenue:		
Mental Health		131
Rural Services		3,238
Drainage Districts		2,509
		<u>13,609</u>
Local Option Sales Tax	Enterprise:	
	Mt. Carmel Sewer	6,936
	Maple River Sewer	10,061
		<u>16,997</u>
Total		\$ 30,606

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.

Not included above, and not expected to be repaid within one year, are interfund advances of \$189,064 and \$151,939 due from the Enterprise, Mt. Carmel Sewer and Maple River Sewer Funds, respectively, to the Special Revenue, Local Option Sales Tax Fund for repayment of long term interfund loans. The interfund advances will be repaid from user fees.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 179,000
	Special Revenue:	
	Rural Services	1,539,000
		1,718,000
Capital Projects	General	31,000
Total		\$ 1,749,000

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

Governmental activities capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,755,131	-	-	1,755,131
Construction in progress	251,712	3,172,957	(3,223,501)	201,168
Total capital assets not being depreciated	2,006,843	3,172,957	(3,223,501)	1,956,299
Capital assets being depreciated:				
Buildings	6,651,420	38,975	-	6,690,395
Improvements other than buildings	73,966	10,619	-	84,585
Equipment and vehicles	8,788,406	827,292	(446,596)	9,169,102
Infrastructure, road network	38,367,236	3,223,501	-	41,590,737
Infrastructure, other	1,638,237	-	-	1,638,237
Total capital assets being depreciated	55,519,265	4,100,387	(446,596)	59,173,056
Less accumulated depreciation for:				
Buildings	2,444,003	156,867	-	2,600,870
Improvements other than buildings	7,765	4,045	-	11,810
Equipment and vehicles	5,042,710	620,612	(353,399)	5,309,923
Infrastructure, road network	19,562,487	1,102,363	-	20,664,850
Infrastructure, other	72,810	36,406	-	109,216
Total accumulated depreciation	27,129,775	1,920,293	(353,399)	28,696,669
Total capital assets being depreciated, net	28,389,490	2,180,094	(93,197)	30,476,387
Governmental activities capital assets, net	\$ 30,396,333	5,353,051	(3,316,698)	32,432,686

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 187,774
Physical health and social services	5,949
County environment and education	117,428
Roads and transportation	1,487,406
Governmental services to residents	38,454
Administration	83,282
Total depreciation expense - governmental activities	<u>\$ 1,920,293</u>

Business type activities capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 25,500	-	-	25,500
Capital assets being depreciated:				
Infrastructure	1,044,140	-	-	1,044,140
Less accumulated depreciation for:				
Infrastructure	61,702	26,160	-	87,862
Total capital assets being depreciated, net	982,438	(26,160)	-	956,278
Business type activities capital assets, net	<u>\$ 1,007,938</u>	<u>(26,160)</u>	-	<u>981,778</u>
Total depreciation expense - business type activities				<u>\$ 26,160</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	\$ 60,589
Special Revenue:		
Mental Health	Services	1,472
Secondary Roads	Services	801
		<u>2,273</u>
Total for governmental funds		<u>\$ 62,862</u>
Agency:		
Agricultural Extension Education	Collections	\$ 206,278
County Assessor		618,841
Schools		11,276,237
Community Colleges		761,833
Corporations		7,041,400
Townships		285,364
Auto License and Use Tax		553,758
E911 Service Commission		152,096
All other		163,430
Total for agency funds		<u>\$ 21,059,237</u>

(7) Long-Term Liabilities

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

	Compen-sated Absences	Net OPEB Liability	Total
Governmental activities:			
Balance beginning of year	\$ 198,023	229,948	427,971
Increases	269,446	89,599	359,045
Decreases	251,106	65,545	316,651
Balance end of year	\$ 216,363	254,002	470,365
Due within one year	\$ 200,009	-	200,009
 Business type activities:			
Mt. Carmel Maple River			
Balance beginning of year	\$ 131,138	233,000	364,138
Increases	-	-	-
Decreases	131,138	233,000	364,138
Balance end of year	\$ -	-	-

Mt. Carmel USDA Capital Loan Note

On October 1, 2009, the County issued a \$134,000 Sewer Revenue Capital Loan Note, Series 2009, with a 3.375% fixed interest rate, to the U.S. Department of Agriculture (USDA). The proceeds were used to pay a portion of the costs of improvements and extensions to the Mt. Carmel sewer system, including the costs associated with the acquisition, construction and installation of sanitary sewer improvements, extensions and onsite systems in the Mt. Carmel area. During the year June 30, 2013, the County paid the remaining balance of the loan with the proceeds of an interfund advance from the Special Revenue, Local Option Sales Tax Fund.

Maple River USDA Capital Loan Note

On June 27, 2011, the County issued a \$233,000 Sewer Revenue Capital Loan Note, Series 2011, with a 4.5% fixed interest rate, to the U.S. Department of Agriculture (USDA). The proceeds were used to pay a portion of the costs of improvements and extensions to the Maple River sewer system, including the costs associated with the acquisition, construction and installation of sanitary sewer improvements, extensions and onsite systems in the Maple River area, and repay the Capital Loan Anticipation Note issued on November 24, 2009. During the year ended June 30, 2013, the County paid the remaining balance of the loan with the proceeds of an interfund advance from the Special Revenue, Local Option Sales Tax Fund and cash on hand.

(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 \$421,369, \$393,992 and \$339,095, respectively, equal to the required contributions for each year.

(9) 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 \$141,431.

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 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 \$200,000, 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.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 106 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under 65 may convert unused sick days to health insurance at retirement. Ten days of sick leave equals one month of single coverage up to a 12 month maximum. Otherwise, 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 changes in the County's net OPEB obligation:

Annual required contribution	\$ 89,539
Interest on net OPEB obligation	9,198
Adjustment to annual required contribution	(9,138)
Annual OPEB cost	<u>89,599</u>
Contributions made	(65,545)
Increase in net OPEB obligation	<u>24,054</u>
Net OPEB obligation beginning of year	<u>229,948</u>
Net OPEB obligation end of year	<u><u>\$ 254,002</u></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 \$65,545 to the medical plan. Plan members eligible for benefits contributed \$49,162, or 42.9% 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	\$ 99,980	31.2%	\$ 205,901
2012	89,592	73.2	229,948
2013	89,599	73.2	254,002

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2013, the actuarial accrued liability was \$885,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$885,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,144,000 and the ratio of the UAAL to covered payroll was 21.4%. 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 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 medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality 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 \$381 per month for retirees and \$780 for retirees and spouse 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.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$757,440.

Amounts payable from the Internal Service Fund at June 30, 2013 total \$239,620, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$623,062 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 184,703
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,158,952
Payments on claims during the fiscal year	<u>1,104,035</u>
Unpaid claims end of year	\$ 239,620

(12) Revenue Bonds

On September 29, 2003, the County issued \$10,000,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of Saint Anthony Regional Hospital to renovate the existing third floor and other areas of the hospital and to construct and equip an addition. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

On November 22, 2006, the County issued \$6,575,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of Saint Anthony Regional Hospital to finance a portion of the cost of the construction of a four-story addition to the hospital, to equip the addition and to add parking structures and a new surgery center. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of the bonds.

On December 1, 2008, the County issued \$1,400,000 of Facility Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of New Opportunities Inc. for the purchase of land and a building and to equip the building to be used as a Head Start/Outreach facility. The bonds are not a general obligation of the County, but are payable solely from the net revenues of New Opportunities, Inc. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of the bonds.

(13) County Care Facility

On July 1, 1990, the management and operation of the Carroll County Care Facility was assumed by Mallard View, Inc. The agreement requires the operator to make monthly rental payments to the County and for the County to pay the operator for services rendered. This agreement was renewed for the period commencing July 1, 2011 and ending June 30, 2014.

(14) Developer Agreement

The County entered into a developer agreement on November 28, 2007 to assist in an urban renewal project with Templeton Crop Nutrients, LLC. The County agreed to rebate up to 100% of the incremental property tax paid by the developer in exchange for the costs of constructing a new fertilizer storage and distribution facility. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated semi-annually beginning in the fiscal year ended June 30, 2009 for five years. During the year ended June 30, 2013, \$31,711 was rebated to the developer, Templeton Crop Nutrients, LLC.

Required Supplementary Information

Carroll 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
Receipts:			
Property and other county tax	\$ 7,134,077	-	7,134,077
Interest and penalty on property tax	31,491	-	31,491
Intergovernmental	4,360,280	8,638	4,351,642
Licenses and permits	44,925	-	44,925
Charges for service	1,702,855	-	1,702,855
Use of money and property	222,152	105	222,047
Miscellaneous	804,001	15,952	788,049
Total receipts	14,299,781	24,695	14,275,086
Disbursements:			
Public safety and legal services	3,097,706	-	3,097,706
Physical health and social services	1,022,454	-	1,022,454
Mental health	1,309,875	-	1,309,875
County environment and education	1,045,347	20,881	1,024,466
Roads and transportation	4,666,471	-	4,666,471
Governmental services to residents	557,461	-	557,461
Administration	1,548,440	-	1,548,440
Capital projects	799,544	-	799,544
Total disbursements	14,047,298	20,881	14,026,417
Excess (deficiency) of receipts over (under) disbursements	252,483	3,814	248,669
Other financing sources, net	(353,805)	-	(353,805)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(101,322)	3,814	(105,136)
Balance beginning of year	9,808,798	113,091	9,695,707
Balance end of year	\$ 9,707,476	116,905	9,590,571

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
7,060,282	7,178,993	(44,916)
20,000	20,000	11,491
5,134,665	4,354,290	(2,648)
99,900	43,900	1,025
1,639,850	1,661,850	41,005
299,976	299,976	(77,929)
589,457	636,166	151,883
14,844,130	14,195,175	79,911
3,176,382	3,223,541	125,835
1,219,844	1,125,377	102,923
3,287,715	1,921,715	611,840
1,020,335	1,030,421	5,955
5,373,475	5,373,475	707,004
621,007	621,307	63,846
1,550,062	1,611,899	63,459
1,031,000	1,497,004	697,460
17,279,820	16,404,739	2,378,322
(2,435,690)	(2,209,564)	2,458,233
-	-	(353,805)
(2,435,690)	(2,209,564)	2,104,428
8,847,546	9,695,707	-
6,411,856	7,486,143	2,104,428

Carroll County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual	Modified
		Adjustments	Accrual Basis
Revenues	\$ 14,299,781	(112,638)	14,187,143
Expenditures	14,047,298	(767,378)	13,279,920
Net	252,483	654,740	907,223
Other financing sources, net	(353,805)	358,000	4,195
Beginning fund balances	9,808,798	1,043,654	10,852,452
Ending fund balances	\$ 9,707,476	2,056,394	11,763,870

See accompanying independent auditor's report.

Carroll County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Enterprise Funds, Internal Service Funds 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 decreased budgeted disbursements by \$875,081. 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, disbursements did not exceed the amounts budgeted.

Carroll County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial					UAAL as a Percentage of Covered Payroll
		Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	
2010	July 1, 2008	-	\$ 898	898	0.0%	\$ 4,158	21.6%
2011	July 1, 2008	-	898	898	0.0	4,132	21.7
2012	July 1, 2011	-	885	885	0.0	4,274	20.7
2013	July 1, 2011	-	885	885	0.0	4,144	21.4

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

See accompanying independent auditor's report.

Supplementary Information

Carroll County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

			Special
	Resource Enhance- ment and Protection	County Recorder's Records	Drainage Management
Assets			
Current assets:			
Cash and pooled investments:			
County Treasurer	\$ 246	33,946	52,462
Conservation Foundation	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Non current assets:			
Advances to other funds	-	-	-
Total assets	\$ 246	33,946	52,462
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	-	2,509
Fund balances:			
Restricted for other purposes	246	33,946	49,953
Assigned for capital projects and equipment	-	-	-
Total fund balances	246	33,946	49,953
Total liabilities and fund balances	\$ 246	33,946	52,462

See accompanying independent auditor's report.

Revenue

Conservation Foundation	Local Option Sales Tax	Capital Projects	Total
-------------------------	------------------------	------------------	-------

-	993,507	342,860	1,423,021
64,443	-	-	64,443
-	-	2,140	2,140
-	16,997	-	16,997
-	38,675	-	38,675
-	341,003	-	341,003
<hr/>	<hr/>	<hr/>	<hr/>
64,443	1,390,182	345,000	1,886,279

-	-	-	2,509
64,443	1,390,182	163,707	1,702,477
-	-	181,293	181,293
<hr/>	<hr/>	<hr/>	<hr/>
64,443	1,390,182	345,000	1,883,770
<hr/>	<hr/>	<hr/>	<hr/>
64,443	1,390,182	345,000	1,886,279

Carroll County

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

Year ended June 30, 2013

	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Drainage Districts
Revenues:			
Local option sales tax	\$ -	- -	- -
Tax increment financing	- -	- -	- -
Intergovernmental	11,970	- -	8,638
Charges for service	- -	4,948	- -
Use of money and property	9	56	- -
Miscellaneous	- -	- -	- -
Total revenues	11,979	5,004	8,638
Expenditures:			
Operating:			
County environment and education	16,828	- -	7,300
Governmental services to residents	- -	1,229	- -
Capital projects	- -	- -	- -
Total expenditures	16,828	1,229	7,300
Excess (deficiency) of revenues over (under) expenditures	(4,849)	3,775	1,338
Other financing sources:			
Sale of capital assets	- -	- -	- -
Operating transfers in	- -	- -	- -
Total other financing sources	- -	- -	- -
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(4,849)	3,775	1,338
Fund balances beginning of year	5,095	30,171	48,615
Fund balances end of year	\$ 246	33,946	49,953

See accompanying independent auditor's report.

Revenue

Conservation Foundation	Local Option Sales Tax	Tax Increment Financing	Capital Projects	Total
-	477,699	-	-	477,699
-	-	31,711	-	31,711
-	-	-	12,150	32,758
-	-	-	43,337	48,285
105	-	-	47,494	47,664
15,952	1,320	-	15,554	32,826
16,057	479,019	31,711	118,535	670,943
16,090	-	31,711	-	71,929
-	118,860	-	-	120,089
-	-	-	195,097	195,097
16,090	118,860	31,711	195,097	387,115
(33)	360,159	-	(76,562)	283,828
-	-	-	3,000	3,000
-	-	-	31,000	31,000
-	-	-	34,000	34,000
(33)	360,159	-	(42,562)	317,828
64,476	1,030,023	-	387,562	1,565,942
64,443	1,390,182	-	345,000	1,883,770

Schedule 3

Carroll County

Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2013

	Enterprise		
	Mt. Carmel	Maple River	
	Sewer	Sewer	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 52,533	13,536	66,069
Receivables:			
Accounts	1,295	2,749	4,044
Accrued interest	46	-	46
Capital assets, net of accumulated depreciation	354,310	627,468	981,778
Total assets	408,184	643,753	1,051,937
Liabilities			
Current liabilities:			
Accounts payable	145	2,093	2,238
Advances from other funds	6,936	10,061	16,997
Long-term liabilities:			
Advances from other funds	189,064	151,939	341,003
Total liabilities	196,145	164,093	360,238
Net Position			
Net investment in capital assets	158,310	465,468	623,778
Unrestricted	53,729	14,192	67,921
Total net position	\$ 212,039	479,660	691,699

See accompanying independent auditor's report.

Carroll County

**Combining Schedule of Revenues, Expenses and
Nonmajor Changes in Fund Net Position
Proprietary Funds**

Year ended June 30, 2013

	Enterprise		
	Mt. Carmel	Maple River	Total
	Sewer	Sewer	
Operating revenues:			
Charges for service	\$ 16,756	101,849	118,605
Operating expenses:			
Depreciation	9,495	16,665	26,160
Miscellaneous	44,258	13,300	57,558
Total operating expenses	53,753	29,965	83,718
Operating income (loss)	(36,997)	71,884	34,887
Non-operating revenues (expenses):			
Interest income	61	3	64
Interest expense	(4,697)	(10,411)	(15,108)
Miscellaneous	(1,968)	-	(1,968)
Total nonoperating expenses	(6,604)	(10,408)	(17,012)
Change in net position	(43,601)	61,476	17,875
Net position beginning of year	255,640	418,184	673,824
Net position end of year	\$ 212,039	479,660	691,699

See accompanying independent auditor's report.

Schedule 5

Carroll County

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2013

	Enterprise		
	Mt. Carmel Sewer	Maple River Sewer	Total
Cash flows from operating activities:			
Cash received from sewer fees	\$ 16,756	101,762	118,518
Cash paid to suppliers for services	(44,247)	(12,196)	(56,443)
Net cash provided (used) by operating activities	(27,491)	89,566	62,075
Cash flows from investing activities:			
Interest on investments	39	35	74
Cash flows from capital and related financing activities:			
Interfund loan proceeds	196,000	162,000	358,000
Principal paid on USDA loan	(131,138)	(233,000)	(364,138)
Interest paid on USDA loan	(4,697)	(10,411)	(15,108)
Miscellaneous	(1,968)	-	(1,968)
Net cash provided (used) by capital and related financing activities	58,197	(81,411)	(23,214)
Increase in cash and cash equivalents	30,745	8,190	38,935
Cash and cash equivalents beginning of year	21,788	5,346	27,134
Cash and cash equivalents end of year	\$ 52,533	13,536	66,069
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (36,997)	71,884	34,887
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	9,495	16,665	26,160
Increase in accounts receivable	-	(87)	(87)
Increase in accounts payable	11	1,104	1,115
Net cash provided (used) by operating activities	\$ (27,491)	89,566	62,075

See accompanying independent auditor's report.

Carroll County

Carroll County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Extension Education	County Assessor	Agricultural Schools
Assets				
Cash, cash equivalents and pooled investments :				
County Treasurer	\$ -	1,084	409,398	76,484
Other County officials	11,622	-	-	-
Receivables:				
Property tax:				
Delinquent	-	194	313	14,753
Succeeding year	-	205,000	213,000	11,185,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 11,622	206,278	622,711	11,276,237
Liabilities				
Accounts payable	\$ -	-	24	-
Salaries and benefits payable	-	-	-	-
Due to other governments	7,331	206,278	618,841	11,276,237
Trusts payable	4,291	-	-	-
Compensated absences	-	-	3,846	-
Total liabilities	\$ 11,622	206,278	622,711	11,276,237

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
4,099	38,452	2,364	553,758	113,241	156,608	1,355,488
-	-	-	-	-	-	11,622
734	15,948	-	-	-	4	31,946
757,000	6,987,000	283,000	-	-	4,000	19,634,000
-	-	-	-	25,072	-	25,072
-	-	-	-	15,566	-	15,566
761,833	7,041,400	285,364	553,758	153,879	160,612	21,073,694
<hr/>						
-	-	-	-	1,783	3,840	5,647
-	-	-	-	-	673	673
761,833	7,041,400	285,364	553,758	152,096	156,099	21,059,237
-	-	-	-	-	-	4,291
-	-	-	-	-	-	3,846
761,833	7,041,400	285,364	553,758	153,879	160,612	21,073,694

Carroll 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
Assets and Liabilities				
Balances beginning of year	\$ 27,660	166,351	593,583	11,467,364
Additions:				
Property and other county tax	-	201,202	207,648	10,932,170
E911 surcharge	-	-	-	-
State tax credits	-	10,161	16,425	703,623
Office fees and collections	559,944	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	201,955	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>761,899</u>	<u>211,363</u>	<u>224,073</u>	<u>11,635,793</u>
Deductions:				
Agency remittances:				
To other funds	249,866	-	-	-
To other governments	292,722	171,436	194,945	11,826,920
Trusts paid out	235,349	-	-	-
Total deductions	<u>777,937</u>	<u>171,436</u>	<u>194,945</u>	<u>11,826,920</u>
Balances end of year	<u>\$ 11,622</u>	<u>206,278</u>	<u>622,711</u>	<u>11,276,237</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
618,705	7,945,641	269,319	559,443	91,618	175,316	21,915,000
743,562	6,806,677	276,753	-	-	4,301	19,172,313
-	-	-	-	187,535	-	187,535
37,965	394,715	18,064	-	-	208	1,181,161
-	-	-	-	-	-	559,944
-	-	-	7,018,776	-	-	7,018,776
-	-	-	-	-	2,844	2,844
-	-	-	-	-	-	201,955
-	-	-	-	-	155,653	155,653
781,527	7,201,392	294,817	7,018,776	187,535	163,006	28,480,181
-	-	-	212,931	-	-	462,797
638,399	8,105,633	278,772	6,811,530	125,274	177,710	28,623,341
-	-	-	-	-	-	235,349
638,399	8,105,633	278,772	7,024,461	125,274	177,710	29,321,487
761,833	7,041,400	285,364	553,758	153,879	160,612	21,073,694

Carroll County

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

For the Last Ten Years

	2013	2012	2011
Revenues:			
Property and other county tax	\$ 6,078,653	6,069,392	6,640,519
Local option sales tax	955,398	994,372	1,043,680
Interest and penalty on property tax	29,747	24,187	28,684
Tax increment financing	31,711	34,014	35,999
Intergovernmental	4,246,548	5,660,948	6,973,234
Licenses and permits	44,326	86,892	104,508
Charges for service	1,784,399	1,648,902	1,529,771
Use of money and property	213,871	278,273	243,609
Fines, forfeitures and defaults	-	-	-
Miscellaneous	802,490	622,010	794,981
Total	\$ 14,187,143	15,418,990	17,394,985
Expenditures:			
Operating:			
Public safety and legal services	\$ 3,119,880	2,907,030	2,856,102
Physical health and social services	1,017,939	1,099,826	1,137,806
Mental health	943,930	2,740,975	2,249,772
County environment and education	1,032,380	1,203,695	1,076,566
Roads and transportation	4,330,395	4,801,195	4,818,013
Governmental services to residents	558,483	448,130	418,624
Administration	1,489,117	1,489,098	1,352,842
Non-program	-	9,108	865,220
Debt service	-	-	78,602
Capital projects	787,796	1,104,752	1,451,355
Total	\$ 13,279,920	15,803,809	16,304,902

See accompanying independent auditor's report.

Modified Accrual Basis						
2010	2009	2008	2007	2006	2005	2004
6,249,428	6,151,523	5,862,009	5,659,130	5,408,304	5,096,298	5,129,098
916,542	945,460	811,247	940,793	838,355	757,912	262,439
32,778	18,935	41,163	36,749	29,104	28,243	45,758
35,688	36,999	-	-	-	-	-
5,991,574	5,238,692	5,487,048	4,828,731	4,748,882	4,775,821	4,632,453
101,193	146,138	124,602	86,241	74,338	55,143	66,889
1,658,603	1,646,789	1,761,086	1,682,553	1,479,616	1,421,620	1,298,488
260,454	321,974	442,342	400,106	299,785	220,883	184,790
-	-	-	-	-	3,711	-
874,176	694,645	704,791	682,760	905,034	759,629	1,483,180
16,120,436	15,201,155	15,234,288	14,317,063	13,783,418	13,119,260	13,103,095
2,758,548	2,653,229	2,539,995	2,374,712	2,325,097	2,090,553	1,991,577
1,132,825	1,039,186	980,801	935,308	939,587	932,524	1,136,692
2,156,469	2,625,463	3,103,527	3,003,054	2,669,843	2,675,722	2,323,078
1,181,604	1,122,372	1,082,863	914,289	842,254	852,196	1,314,236
4,546,295	3,775,781	3,758,266	3,581,795	3,407,711	3,584,619	3,946,971
415,692	464,272	440,751	430,408	549,691	349,093	349,000
1,323,946	1,277,280	1,215,715	1,194,823	1,188,092	1,116,364	1,081,846
148,626	134,675	233,406	218,443	153,139	108,309	351,681
90,409	91,002	127,520	193,531	271,719	276,627	37,744
1,267,519	559,096	648,873	824,558	770,111	1,265,004	1,719,057
15,021,933	13,742,356	14,131,717	13,670,921	13,117,244	13,251,011	14,251,882

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Officials of Carroll 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, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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 March 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll 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 Carroll County's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll 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, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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

Compliance and Other Matters

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

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

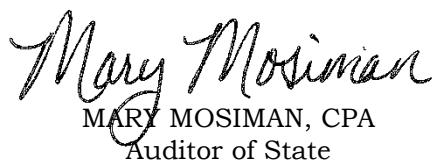
Carroll County's Responses to the Findings

Carroll County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Carroll 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.

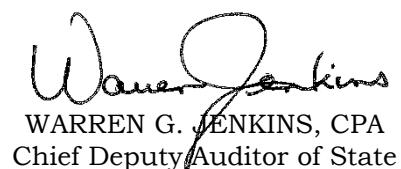
Purpose of this Report

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 Carroll 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

March 18, 2014

Carroll County

Carroll County

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Carroll County Ambulance Department – The Ambulance Department bills for services provided. The majority of collections for those services are remitted directly to the County Treasurer's Office. The County Treasurer's Office prepares a receipt for accounting and sends a copy of each receipt to the Ambulance Department. The Ambulance Department records each receipt in its computer system. During the first six months of the year, the Ambulance Department attempted to reconcile the collections recorded in its accounts receivable computer software with the actual collections recorded by the County Treasurer in total each month, but unexplained variances existed. The reconciliation was not attempted for the last six months of the year.

In addition, written documentation of independent approval of accounts receivable written off as uncollectable is not formally documented. Also, accounts receivable balances and receipts from the collection agency are not reconciled to the Ambulance Department.

Recommendation – The Ambulance Department should reconcile the collections recorded in its accounts receivable computer software with the actual collections recorded by the County Treasurer in total each month. Variances should be researched and explanations of variances should be included for the reconciling items. The Ambulance Department should maintain written documentation of the independent approval of accounts receivable which are written off. Also, collection agency receipts should be recorded and accounts receivable balances reconciled to the Ambulance Department.

Response – The Ambulance Department will continue to follow the State Auditor's process for balancing accounts and write offs.

Conclusion – Response accepted.

- (B) Computer Systems – Passwords are not changed every 60 to 90 days. The County's software does not require users to periodically change log-ins/passwords. In addition, computer system profiles are not reviewed periodically.

Recommendation – The County should develop written policies to improve the County's control over its computer systems.

Response – A new County IT Policy was adopted on August 13, 2013. According to the policy, password change periods are at the discretion of each Department Head. The IT Director will review the employee access and rights to computer programs and files on an annual basis to determine if changes are necessary.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2013

- (C) Board of Health – One individual has custody of receipts and performs all record keeping duties.

Accurate accounts receivable listings were not prepared and retained at month end. Also, amounts billed for Medicare, Medicaid and other reimbursements were not reconciled to collections and accounts receivable.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Board should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control.

The accounts receivable listing should be accurately prepared monthly and retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly and retained.

Response – We will review assigned duties and segregate duties where possible. The accounts receivable listings will be prepared and reconciled to the amounts deposited.

Conclusion – Response accepted.

- (D) County Sheriff – One individual in the Sheriff's Office collects cash, prepares the deposit and prepares the monthly bank reconciliations. There is no evidence of independent review of the bank reconciliations. Also, one individual in the Sheriff's Office collects, records, deposits and reconciles the Commissary account. In addition, no initial listing is prepared of money or checks received in the mail.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Sheriff's Office should review its operating procedures to obtain the maximum internal control possible under the circumstances. In addition, the bank reconciliations should be reviewed by an independent person. The reconciliations should be signed or initialed and dated by the reviewer. Also, an initial listing of receipts should be prepared and reconciled to the amount deposited.

Response – The Sheriff's Department will cross train current staff or utilize other County employees to help segregate key duties. An initial listing of receipts will be maintained and reconciled to amounts deposited. The Sheriff's Office will also try to have our jail supervisor come down once a month and review the reconciliations, compare to the bank statement and sign off.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2013

- (E) County Recorder – One individual in the Recorder's Office collects cash, prepares the deposit and prepares the monthly bank reconciliations.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Recorder's Office should review its operating procedures to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control.

Response – The Recorder's Office is a two full-time and one part-time Office. The Recorder, Deputy and part-time clerk cross check deposits, monthly bank statements and daily spreadsheets.

Conclusion – Response acknowledged. However, duties should be segregated to the extent possible under the circumstances. The Office should consider using other County employees or officials to provide additional control.

- (F) County Conservation – One individual in the Conservation Office records receipts, prepares the deposit and prepares the monthly bank reconciliations.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Conservation Office should review its operating procedures to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control.

Response – We will review assigned duties and segregate duties where possible.

Conclusion – Response accepted.

- (G) Departmental Claim Approval – Department Heads approve claims for payment. However, there is no formal documentation of the approval.

Recommendation – Department level approval of claims should be formally documented.

Response – Department Heads will initial all claims prior to submitting them for payment.

Conclusion – Response accepted.

- (H) Approval of Payroll – Department Heads approve timesheets at the end of each pay period. However, there is no formal documentation of this approval. Also, there is no evidence of an immediate supervisor's approval for leave time prior to taking leave.

In addition, the Secondary Roads Department pays employees based on estimated hours. Adjustments are then made to amounts paid after actual hours are known. There is no independent review of the adjustments made for actual hours worked.

Carroll County
Schedule of Findings
Year ended June 30, 2013

Recommendation – The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor or the County officer or Department Head prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days. Also, leave time should be approved prior to taking leave. Adjustments made to Secondary Roads Department employee's pay should be independently reviewed and documented.

Response – We currently have a system in place which addresses these concerns.

Conclusion – Response accepted.

- (I) Secondary Roads Inventory – Annual inventory counts of the Secondary Roads inventory are performed. However, the counts are not verified by a person independent of the inventory records.

Recommendation – Inventory counts should be verified by a person independent of the inventory records.

Response – The Engineer will verify the inventory counts.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

Carroll County

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Tim Fenerated	Reimbursement for clothing purchases	\$ 83
Debra Heithoff	Reimbursement for coffee purchase from Kmart	13
Glidden Grocery	Juice and rolls for County employees	11

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

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

Response – The County will require proper documentation for reimbursements.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Carroll County

Schedule of Findings

Year ended June 30, 2013

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Beardmore, Board of Supervisors, manager at Wittrock Motors	Auto sales and repair, per bid	\$ 38,405
Louie Grote, Veterans Affairs Director, owner of LNC Computers	IT services	33,147
Joann Martin, Auditor's Office, wife of Steve Hoogestraat, independent contractor	Sanitarian contract labor	5,695
Kourtney Irlbeck, Auditor's Office, wife of Scot Irlbeck, owner of SI Auto Body	Ambulance repair	5,584
Peggy Weitl, County Treasurer, wife of Dan Weitl, owner of Weitl Tiling	Tile work	3,249
Bill Fish, Ambulance Director, death investigator	Medical exam investigations	2,505
Steve Olberding, Secondary Roads employee, Son is co-owner of Eagle Pressure Washers	Repairs/parts	2,430
Jessica Badding, Case Management, wife of Mike Badding, employee of Webb Control	Insect spraying	1,075
Alan Brinks, Secondary Roads employee, independent contractor	Mowing	945
Jean Seidl, Treasurer's Office, wife of Mike Seidl, owner of Seidl Construction	Mowing/spraying	370

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transaction with Wittrock Motors does not appear to represent a conflict of interest since the services were bid.

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transactions with LNC Computers, Eagle Pressure Washers and Bill Fish may represent a conflict of interest since total transactions exceeded \$1,500 during the year and the transactions were not competitively bid.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Steve Hoogestraat do not appear to represent a conflict of interest since the Auditor's Office employee's employment is not directly affected as a result of the contract.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Webb Control, Alan Brinks and Seidl Construction do not appear to represent conflicts of interest since total transactions with each were less than \$1,500 during the year.

In accordance with Chapter 331.342(2)(k) of the Code of Iowa, the transactions with SI Auto Body and Weitl Tiling do not appear to represent a conflict of interest since the contract was not initiated by the County, but was initiated in a transaction with a third party.

Carroll County

Schedule of Findings

Year ended June 30, 2013

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We will comply with the competitive bid process.

Conclusion – Response accepted.

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

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, they were not furnished to the newspaper within one week of adjournment as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should furnish Board minutes to the newspaper within one week of adjournment.

Response – We will publish Board minutes within one week of adjournment.

Conclusion – Response accepted.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

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

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

(10) County Extension Office Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Extension Office may have control over collecting, depositing and reconciling receipts.

Carroll County

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the control activities should be reviewed to obtain the maximum internal control possible under the circumstances. The Office should utilize current personnel or other County employees or officials to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are aware segregation of duties is very important and have developed the following strategy to help mitigate any losses in regards to the bank reconciliation preparation. As it is not feasible with the amount of staff available to have an independent person prepare the bank reconciliations, we will implement a review process. Monthly, the bank reconciliation reports along with the bank statement will be reviewed, initialed and dated by the Council Secretary at the Council meetings.

Conclusion – Response accepted.

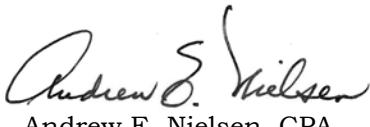
- (11) Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

Carroll County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Jamie T. Reuter, Staff Auditor
Michael A. Chervek, Assistant Auditor
Trisha S. Kunze, Assistant Auditor
Brandon A. Soda, Assistant Auditor



Andrew E. Nielsen
Andrew E. Nielsen, CPA
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