



**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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**NEWS RELEASE**

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

March 27, 2015

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$67,374,300 for the year ended June 30, 2014, which included \$2,377,980 in tax credits from the state. The County forwarded \$54,291,639 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$13,082,661 of the local tax revenue to finance County operations, an increase of 2.4% over the prior year. Other revenues included charges for service of \$2,762,154, operating grants, contributions and restricted interest of \$7,442,095, capital grants, contributions and restricted interest of \$3,523,406, unrestricted investment earnings of \$58,175, gain on disposition of capital assets of \$185,362 and other general revenues of \$217,111.

Expenses for County operations for the year ended June 30, 2014 totaled \$22,939,454, a 3.2% increase over the prior year. Expenses included \$7,057,832 for roads and transportation, \$4,970,314 for public safety and legal services and \$3,583,895 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State

and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0091-B00F.pdf>.

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**WARREN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

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**Warren County**

**Officials**

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

**Warren County**



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Independent Auditor's Report

To the Officials of Warren County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Warren County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2015 on our consideration of Warren County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Warren County's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2015

**Warren County**

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

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Warren County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 10.2%, or approximately \$2,517,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$126,000, operating grants, contributions and restricted interest increased approximately \$782,000, capital grants, contributions and restricted interest increased approximately \$2,781,000 and charges for service decreased approximately \$1,412,000.
- Program expenses were 3.2%, or approximately \$704,000, more in fiscal year 2014 than in fiscal year 2013. Physical health and social services function expenses increased approximately \$597,000.
- The County's net position increased 9.3%, or approximately \$4,332,000, from June 30, 2013 to June 30, 2014.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Warren County as a whole and present an overall view of the County's finances.

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

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

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

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

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

### *Government-wide Financial Statements*

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

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference 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) A proprietary fund accounts for the County's Internal Service, Fuel Station Fund. The Internal Service Fund is used 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 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 and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, the E911 service board and the County Assessor, to name a few.

The 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. Warren County's combined net position increased 9.3% from a year ago, increasing from approximately \$46.7 million to approximately \$51.0 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 24,624	23,487
Capital assets	41,723	38,724
Total assets	66,347	62,211
Long-term liabilities	2,316	2,008
Other liabilities	877	1,374
Total liabilities	3,193	3,382
Deferred inflows of resources	12,170	12,177
Net position:		
Net Investment in capital assets	41,330	38,519
Restricted	5,449	3,904
Unrestricted	4,205	4,229
Total net position	\$ 50,984	46,652

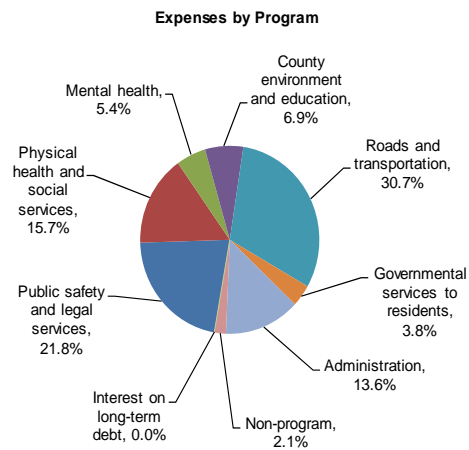
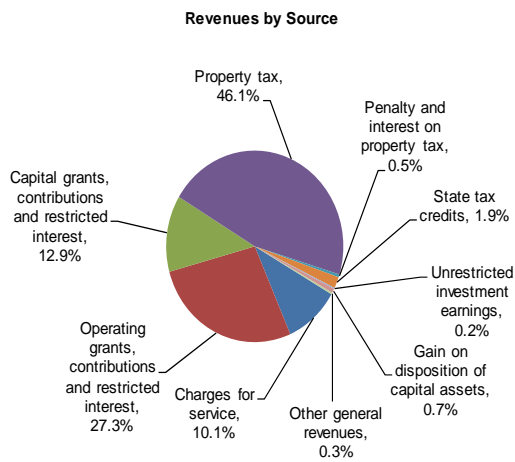
Net position of Warren County's governmental activities increased approximately \$4,332,000 (approximately \$46.7 million compared to approximately \$51.0 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. This net position category increased approximately \$2,811,000, or 7.3%, over the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,545,000, or 39.6%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – stayed fairly consistent from approximately \$4,229,000 at June 30, 2013 to approximately \$4,205,000 million at the end of this year, a less than 1% decrease.

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

	Year ended June 30	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 2,762	4,174
Operating grants, contributions and restricted interest	7,442	6,660
Capital grants, contributions and restricted interest	3,524	743
<b>General revenues:</b>		
Property tax	12,572	12,446
Penalty and interest on property tax	134	139
State tax credits	511	335
Unrestricted investment earnings	58	58
Gain on disposition of capital assets	185	85
Other general revenues	83	114
<b>Total revenues</b>	<b>27,271</b>	<b>24,754</b>
<b>Program expenses:</b>		
Public safety and legal services	4,970	4,624
Physical health and social services	3,584	2,987
Mental health	1,231	1,787
County environment and education	1,571	1,382
Roads and transportation	7,058	7,039
Governmental services to residents	883	948
Administration	3,149	2,946
Non-program	486	515
Interest on long-term debt	7	7
<b>Total expenses</b>	<b>22,939</b>	<b>22,235</b>
<b>Change in net position</b>	<b>4,332</b>	<b>2,519</b>
<b>Net position beginning of year</b>	<b>46,652</b>	<b>44,133</b>
<b>Net position end of year</b>	<b>\$ 50,984</b>	<b>46,652</b>



Warren County's net position of governmental activities increased approximately \$4.3 million during the year. Revenues for governmental activities increased approximately \$2.5 million over the prior year, with property tax revenue up from the prior year approximately \$126,000. Operating grants, contributions and restricted interest increased approximately \$782,000, or 11.7%. Capital grants, contributions and restricted interest increased approximately \$2.8 million, or 374.3%. The increase in capital grants, contributions and restricted interest is due to an increase in infrastructure assets contributed by the Iowa Department of Transportation and grants received for the physical health and social services function.

The County decreased property tax rates for fiscal year 2014 an average of .16%. However, due to an increase in assessed valuations of approximately \$43 million, or 2.5%, property tax revenue increased approximately \$126,000.

The cost of all governmental activities this year was approximately \$23.0 million compared to approximately \$22.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$9.2 million because some of the cost was paid by those who directly benefited from the programs (approximately \$2.8 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$11 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased from approximately \$11.6 million in fiscal year 2013 to approximately \$13.7 million in fiscal year 2014, principally due to an increase in operating grants for physical health and social services and capital grants and contributions for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$13.5 million of taxes and with other revenues, such as interest and general entitlements.

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

As Warren County completed the year, its governmental funds reported a combined fund balance of approximately \$10.5 million, an increase of approximately \$1.0 million above last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund balance decreased approximately \$56,000 from the prior year to approximately \$5,367,000. General Fund revenues increased approximately \$471,000 over the prior year, due principally to an increase in property tax revenue of approximately \$148,000. Expenditures increased approximately \$653,000, or 5.1%, over the prior year. This increase was primarily due to an increase in the physical health and social services function.

The Special Revenue, Mental Health Fund balance at year end increased approximately \$950,000 over the prior year. Mental Health Fund revenues decreased approximately \$1,406,000 from the prior year. During fiscal year 2013, the County received approximately \$1,383,000 from the State's Transition Fund for one-time assistance with mental health and disability services not funded with Medicaid. The County did not receive any additional funding for mental health in fiscal year 2014.

The Special Revenue, Rural Services Fund revenues increased approximately \$103,000 over the prior year due to an increase in property tax revenue while expenditures decreased about \$52,000 from the prior year. These changes resulted in an increase in the Rural Services Fund balance of approximately \$39,000, or 7.7%.

Special Revenue, Secondary Roads Fund revenues increased approximately \$772,000, or 19%, over the prior year. Secondary Roads Fund expenditures increased approximately \$1.3 million over the prior year, due principally to the purchase of equipment and capital construction projects, including bridge and highway repairs.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Warren County amended its budget two times. The first amendment was made in November 2013 and resulted in an increase in budgeted disbursements in the county environment and education function for economic development projects in Carlisle and Norwalk and an increase in the administration function in order to add a new position, increased workers compensation insurance and severance package payouts. The second amendment was made in May 2014 and resulted in an increase in budgeted intergovernmental receipts for additional state equalization funds for mental health and the receipt of a conservation trail grant. The mental health and the county environment and education functions were increased due to receipt of additional funds. The governmental services to residents function increased due to a special election and the administration function increased due to the cost of utilities, increases in consulting, postage, training and publication costs, as well as to cover Liberty Center sewer repairs.

The County’s receipts were \$837,375 less than budgeted, a variance of 3.4%. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated, primarily due to receipts for bridge replacement grants being less than budgeted since projects were not completed as planned.

Total disbursements were \$2,371,704 less than the amended budget. Actual disbursements for the physical health and social services, roads and transportation and capital projects functions were \$661,565, \$631,232 and \$527,863, respectively, less than budgeted. Physical health and social services activity was lower than budgeted, primarily due to grants not being utilized for the allowed amount. Roads and transportation was lower due to rock, sand and salt, pavement markings, engineering design work and asphalt projects not fully utilizing budgeted amounts. The capital projects activity was less due to projects not completed during the fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, Warren County had approximately \$41.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,998,000, or 7.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 2,119	2,314
Construction in progress	2,778	90
Intangibles	97	97
Buildings and improvements	5,465	5,599
Equipment and vehicles	2,601	2,657
Infrastructure	28,663	27,967
Total	\$ 41,723	38,724



This year's major additions included (in thousands):

Roads	\$ 4,366
Secondary roads and other equipment	476
Conservation Building	163
Total	<u>\$ 5,005</u>

The County had depreciation expense of \$1,977,553 in fiscal year 2014 and total accumulated depreciation of \$26,883,337 at June 30, 2014.

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

### Long-Term Debt

At June 30, 2014, Warren County had \$583,933 of general obligation notes and other long-term debt outstanding compared to \$427,696 at June 30, 2013, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2014	2013
General obligation notes	\$ 134,500	153,921
Installment purchase contract	169,433	254,150
Rural development loan agreement	280,000	-
Capital lease purchase agreement	-	19,625
Total	<u>\$ 583,933</u>	<u>427,696</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$162 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.1% versus 4.4% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

Inflation in the State was comparable to the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 1.7% for fiscal year 2014 compared with the national rate of 2.1%. As of December 2014, the Midwest Region of the Department of Labor CPI was .7% compared with the national rate of .8%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$22.6 million, a decrease of approximately \$1,100,000 from the final fiscal year 2014 budget. Decreases in grant reimbursements for capital projects and a decrease in operation and maintenance expenses are expected to be the source of this decrease. Budgeted disbursements are expected to decrease approximately \$1,822,000 from the final fiscal year 2014 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$962,000, or 12.7%, by the close of fiscal year 2015. The General Fund balance is budgeted to decrease \$186,000 and the Special Revenue, Secondary Roads Fund balance is budgeted to decrease \$710,000 by the end of the fiscal year 2015.

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

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

## **Basic Financial Statements**

**Exhibit A**

Warren County  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 10,549,454
Receivables:	
Property tax:	
Delinquent	25,237
Succeeding year	12,170,000
Interest and penalty on property tax	75,898
Accounts	73,018
Accrued interest	25,470
Loan	145,000
Due from other governments	1,328,052
Inventories	192,858
Prepaid insurance	39,307
Capital assets, not being depreciated	4,994,314
Capital assets, net of accumulated depreciation	36,728,368
<b>Total assets</b>	<u>66,346,976</u>
<b>Liabilities</b>	
Accounts payable	360,833
Accrued interest payable	3,779
Salaries and benefits payable	212,282
Due to other governments	299,962
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	20,237
Rural development loan agreement	28,000
Installment purchase contract	84,717
Compensated absences	382,516
Portion due or payable after one year:	
General obligation notes	114,263
Rural development loan agreement	252,000
Installment purchase contract	84,716
Compensated absences	422,691
Net OPEB liability	927,000
<b>Total liabilities</b>	<u>3,192,996</u>
<b>Deferred inflows of Resources</b>	
Unavailable property tax revenue	12,170,000
<b>Net Position</b>	
Net investment in capital assets	41,329,726
Restricted for:	
Rural services purposes	519,169
Secondary roads purposes	2,899,143
Mental health purposes	1,298,771
Supplemental levy purposes	363,068
Other purposes	368,891
Unrestricted	4,205,212
<b>Total net position</b>	<u>\$ 50,983,980</u>

See notes to financial statements.

Warren County  
Statement of Activities  
Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 4,970,314	288,797	386,917	-	(4,294,600)
Physical health and social services	3,583,895	820,816	1,799,530	-	(963,549)
Mental health	1,231,459	50,093	1,127,334	-	(54,032)
County environment and education	1,571,289	63,572	185,317	21,373	(1,301,027)
Roads and transportation	7,057,832	21,484	3,942,713	3,502,033	408,398
Governmental services to residents	883,242	921,073	284	-	38,115
Administration	3,148,857	120,549	-	-	(3,028,308)
Non-program	485,855	475,770	-	-	(10,085)
Interest on long-term debt	6,711	-	-	-	(6,711)
Total	\$ 22,939,454	2,762,154	7,442,095	3,523,406	(9,211,799)
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					12,572,244
Penalty and interest on property tax					133,787
State tax credits					510,417
Unrestricted investment earnings					58,175
Gain on disposition of capital assets					185,362
Miscellaneous					83,324
Total general revenues					13,543,309
Change in net position					4,331,510
Net position beginning of year					46,652,470
Net position end of year					\$ 50,983,980

See notes to financial statements.

Warren County  
Balance Sheet  
Governmental Funds

June 30, 2014

	General	Mental Health
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 5,284,747	1,630,871
Receivables:		
Property tax:		
Delinquent	15,781	1,882
Succeeding year	8,484,000	1,004,000
Interest and penalty on property tax	75,898	-
Accounts	66,083	-
Accrued interest	25,470	-
Loan	145,000	-
Due from other funds	1,218	-
Due from other governments	516,573	83
Inventories	-	-
Prepaid insurance	39,307	-
<b>Total assets</b>	<b>\$ 14,654,077</b>	<b>2,636,836</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 157,661	31,518
Salaries and benefits payable	160,911	1,855
Due to other funds	11,934	555
Due to other governments	56,840	236,799
<b>Total liabilities</b>	<b>387,346</b>	<b>270,727</b>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	8,484,000	1,004,000
Other	415,308	1,833
<b>Total deferred inflows of resources</b>	<b>8,899,308</b>	<b>1,005,833</b>
Fund balances:		
Nonspendable:		
Inventories	-	-
Prepaid insurance	39,307	-
Loan receivable	145,000	-
Restricted for:		
Rural services purposes	-	-
Secondary roads purposes	-	-
Mental health purposes	-	1,360,276
Supplemental levy purposes	376,002	-
Other purposes	-	-
Assigned for:		
Future jail expansion	654,856	-
Building reserve	45,167	-
Unassigned	4,107,091	-
<b>Total fund balances</b>	<b>5,367,423</b>	<b>1,360,276</b>
<b>Total liabilities, deferred inflows of resources     and fund balances</b>	<b>\$ 14,654,077</b>	<b>2,636,836</b>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
571,291	2,623,115	360,584	10,470,608
7,574	-	-	25,237
2,682,000	-	-	12,170,000
-	-	-	75,898
6,150	-	785	73,018
-	-	-	25,470
-	-	-	145,000
-	23,805	369	25,392
-	750,390	10,000	1,277,046
-	166,534	-	166,534
-	-	-	39,307
3,267,015	3,563,844	371,738	24,493,510
720	145,339	2,963	338,201
8,937	40,579	-	212,282
22,191	19,721	69	54,470
-	6,301	-	299,940
31,848	211,940	3,032	904,893
2,682,000	-	-	12,170,000
7,476	484,280	-	908,897
2,689,476	484,280	-	13,078,897
-	166,534	-	166,534
-	-	-	39,307
-	-	-	145,000
545,691	-	-	545,691
-	2,701,090	-	2,701,090
-	-	-	1,360,276
-	-	-	376,002
-	-	368,891	368,891
-	-	-	654,856
-	-	-	45,167
-	-	(185)	4,106,906
545,691	2,867,624	368,706	10,509,720
3,267,015	3,563,844	371,738	24,493,510

**Warren County**



Warren County

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

June 30, 2014

**Total governmental fund balances (page 21)** \$ 10,509,720

**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 \$68,513,686 and the accumulated depreciation is \$26,822,788. 41,690,898

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 908,897

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

Capital assets of \$92,333, less accumulated depreciation of \$60,549	\$ 31,784	
Other net position	<u>162,600</u>	194,384

Long-term liabilities, including general obligation notes payable, rural development loan agreement payable, installment purchase contract payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,319,919)

**Net position of governmental activities (page 18)** \$ 50,983,980

See notes to financial statements.

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

Year ended June 30, 2014

	General	Mental Health
<b>Revenues:</b>		
Property and other county tax	\$ 8,737,977	1,042,347
Interest and penalty on property tax	128,175	-
Intergovernmental	3,000,938	1,208,217
Licenses and permits	26,930	-
Charges for service	1,087,151	-
Use of money and property	69,884	-
Miscellaneous	369,794	10,823
Total revenues	<u>13,420,849</u>	<u>2,261,387</u>
<b>Expenditures:</b>		
Operating:		
Public safety and legal services	4,549,211	-
Physical health and social services	3,524,239	-
Mental health	24	1,221,084
County environment and education	1,394,819	-
Roads and transportation	-	-
Governmental services to residents	918,778	-
Administration	2,845,884	-
Debt service	46,301	-
Capital projects	104,281	-
Total expenditures	<u>13,383,537</u>	<u>1,221,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,312</u>	<u>1,040,303</u>
<b>Other financing sources (uses):</b>		
Sale of capital assets	20,550	-
Loan proceeds	-	-
Transfers in	90,552	-
Transfers out	(204,452)	(90,552)
Total other financing sources (uses)	<u>(93,350)</u>	<u>(90,552)</u>
Change in fund balances	(56,038)	949,751
Fund balances beginning of year	<u>5,423,461</u>	<u>410,525</u>
Fund balances end of year	<u>\$ 5,367,423</u>	<u>1,360,276</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,788,297	-	-	12,568,621
-	-	-	128,175
114,618	4,725,680	24,503	9,073,956
36,630	9,835	-	73,395
5,250	-	22,747	1,115,148
-	1,440	369	71,693
143	13,040	171,225	565,025
2,944,938	4,749,995	218,844	23,596,013
298,459	-	31,496	4,879,166
-	-	-	3,524,239
-	-	-	1,221,108
-	-	194,569	1,589,388
336,202	5,797,203	-	6,133,405
-	-	2,449	921,227
3,050	-	-	2,848,934
-	-	-	46,301
10	1,851,314	-	1,955,605
637,721	7,648,517	228,514	23,119,373
2,307,217	(2,898,522)	(9,670)	476,640
-	193,987	-	214,537
-	280,000	-	280,000
-	2,472,808	383	2,563,743
(2,268,356)	-	(383)	(2,563,743)
(2,268,356)	2,946,795	-	494,537
38,861	48,273	(9,670)	971,177
506,830	2,819,351	378,376	9,538,543
545,691	2,867,624	368,706	10,509,720

Warren County

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

Year ended June 30, 2014

**Change in fund balances - Total governmental funds (page 25)** \$ 971,177

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

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

Expenditures for capital assets	\$ 2,666,593	
Capital assets contributed by the Iowa Department of Transportation	2,338,444	
Depreciation expense	(1,970,477)	3,034,560

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. (29,175)

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

Property tax	3,623	
Other	647,997	651,620

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

Issued	(280,000)	
Repaid	123,763	(156,237)

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	30,548	
Other postemployment benefits	(183,000)	
Interest on long-term debt	544	(151,908)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual funds and other entities. The change in net position of the Internal Service Fund is reported with governmental activities. 11,473

**Change in net position of governmental activities (page 19)** \$ 4,331,510

See notes to financial statements.

Warren County  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	Internal Service - Fuel Station
<b>Assets</b>	
Cash and cash equivalents	\$ 78,846
Due from other funds	29,078
Due from other governments	51,006
Inventories	26,324
Capital assets, net of accumulated depreciation of \$60,549	31,784
<b>Total assets</b>	217,038
<b>Liabilities</b>	
Accounts payable	22,632
Due to other governments	22
<b>Total liabilities</b>	22,654
<b>Net Position</b>	
Net investment in capital assets	31,784
Unrestricted	162,600
<b>Total net position</b>	\$ 194,384

See notes to financial statements.

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

Year ended June 30, 2014

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 350,705
Reimbursements from other governments		504,921
Fuel and other tax refunds		23,755
Total operating revenues		<u>879,381</u>
Operating expenses:		
Fuel	\$ 828,194	
State fuel and other taxes	27,116	
Utilities	614	
Insurance	1,255	
Repairs	3,523	
Tank fees	130	
Depreciation	7,076	
Operating income		<u>867,908</u>
Net position beginning of year		182,911
Net position end of year		<u>\$ 194,384</u>

See notes to financial statements.

Warren County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2014

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 391,319
Cash received from other governments	458,413
Cash received from other sources	25,334
Cash paid to suppliers	(887,537)
Net cash used by operating activities	(12,471)
Cash and cash equivalents beginning of year	91,317
Cash and cash equivalents end of year	\$ 78,846
 <b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 11,473
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	7,076
Decrease in accounts receivable	8,374
Decrease in due from other funds	11,537
Increase in due from other governments	(24,150)
Decrease in inventories	21,205
Decrease in accounts payable	(47,927)
Decrease in due to other funds	(37)
Decrease in due to other governments	(22)
Net cash used by operating activities	\$ (12,471)

See notes to financial statements.

Warren County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,296,970
Other County officials	72,677

Receivables:

Property tax:

Delinquent	75,255
Succeeding year	50,897,000

Accounts	33,891
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Special assessments	1,539,000
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Due from other governments	71,484
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<b>Total assets</b>	<u>54,986,277</u>
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**Liabilities**

Accounts payable	6,631
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Salaries and benefits payable	11,907
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Due to other governments	54,754,889
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Trusts payable	174,334
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Compensated absences	38,516
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<b>Total liabilities</b>	<u>54,986,277</u>
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**Net position**

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



Warren County

Notes to Financial Statements

June 30, 2014

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

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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.

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

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

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$119,931 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

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

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 555
	Rural Services	66
	Secondary Roads	597
Special Revenue:		
Secondary Roads	General	1,680
	Special Revenue:	
	Rural Services	22,125
County Recorder's Records Management	General	196
Resource Enhancement and Protection	General	173
Internal Service:		
Fuel Station	General	9,885
	Special Revenue:	
	Secondary Roads	19,124
	Liberty Center Sewer	69
Total		<u>\$ 54,470</u>

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



**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 90,552
Special Revenue: Secondary Roads	General	204,452
	Special Revenue: Kural Services	2,268,356
		<u>2,472,808</u>
County Recorder's Records Management	County Recorder's Electronic Transaction Fee	383
Total		<u>\$ 2,563,743</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,314,067	-	195,175	2,118,892
Construction in progress	90,407	4,365,965	1,678,161	2,778,211
Intangibles	97,211	-	-	97,211
Total capital assets not being depreciated	<u>2,501,685</u>	<u>4,365,965</u>	<u>1,873,336</u>	<u>4,994,314</u>
Capital assets being depreciated:				
Buildings	8,601,696	162,561	-	8,764,257
Improvements other than buildings	803,050	-	-	803,050
Equipment and vehicles	8,018,429	642,511	416,547	8,244,393
Equipment, internal service	92,333	-	-	92,333
Infrastructure, road network	42,456,325	1,678,161	-	44,134,486
Infrastructure, other	1,573,186	-	-	1,573,186
Total capital assets being depreciated	<u>61,545,019</u>	<u>2,483,233</u>	<u>416,547</u>	<u>63,611,705</u>
Less accumulated depreciation for:				
Buildings	3,699,585	275,359	-	3,974,944
Improvements other than buildings	106,078	22,471	-	128,549
Equipment and vehicles	5,400,672	690,392	416,547	5,674,517
Equipment, internal service	53,473	7,076	-	60,549
Infrastructure, road network	15,501,902	931,450	-	16,433,352
Infrastructure, other	560,621	50,805	-	611,426
Total accumulated depreciation	<u>25,322,331</u>	<u>1,977,553</u>	<u>416,547</u>	<u>26,883,337</u>
Total capital assets being depreciated, net	<u>36,222,688</u>	<u>505,680</u>	<u>-</u>	<u>36,728,368</u>
Governmental activities capital assets, net	<u>\$ 38,724,373</u>	<u>4,871,645</u>	<u>1,873,336</u>	<u>41,722,682</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 81,636
Physical health and social services				3,049
County environment and education				135,197
Roads and transportation				1,442,617
Governmental services to residents				38,674
Administration				269,304
Total depreciation expense - governmental activities, excluding the Internal Service Fund				<u>\$ 1,970,477</u>
Depreciation expense charged to the Internal Service Fund				<u>\$ 7,076</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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 56,840
Special Revenue:		
Mental Health	Services	236,799
Secondary Roads	Services	6,301
		<u>243,100</u>
Total for governmental funds		<u>\$ 299,940</u>
Agency:		
County Assessor	Collections	\$ 866,139
Schools		32,324,250
Community Colleges		1,101,534
Corporations		16,388,654
Townships		621,376
Auto License and Use Tax		1,241,252
All other		2,211,684
Total for agency funds		<u>\$ 54,754,889</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Notes	Rural Development Loan Agreement	Installment Purchase Contract	Capital Lease Purchase Agreement	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 153,921	-	254,150	19,625	835,755	744,000	2,007,451
Increases	-	280,000	-	-	616,895	234,000	1,130,895
Decreases	19,421	-	84,717	19,625	647,443	51,000	822,206
Balance end of year	<u>\$ 134,500</u>	<u>280,000</u>	<u>169,433</u>	<u>-</u>	<u>805,207</u>	<u>927,000</u>	<u>2,316,140</u>
Due within one year	<u>\$ 20,237</u>	<u>28,000</u>	<u>84,717</u>	<u>-</u>	<u>382,516</u>	<u>-</u>	<u>515,470</u>

General Obligation Notes

A summary of the County's June 30, 2014 general obligation note indebtedness is as follows:

Year Ending June 30,	Liberty Center Wastewater Collection and Treatment Facility Issued November 5, 2009			
	Interest	Principal	Interest	Total
	Rates			
2015	4.125 - 4.25%	\$20,237	5,668	25,905
2016	4.125 - 4.25	21,087	4,818	25,905
2017	4.125 - 4.25	21,973	3,932	25,905
2018	4.125 - 4.25	22,897	3,009	25,906
2019	4.125 - 4.25	23,859	2,046	25,905
2020	4.125 - 4.25	24,447	1,044	25,491
Total		\$ 134,500	20,517	155,017

During the year ended June 30, 2014, the County retired \$19,421 of general obligation notes.

Installment Purchase Contract

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

During the year ended June 30, 2014, the County retired \$84,717 of the installment purchase debt, leaving an outstanding balance of \$169,433 payable over the next two years.

Rural Development Loan Agreement

During the year ended June 30, 2014, the County entered into a loan agreement with Interstate 35 Telephone Company for an interest free \$280,000 USDA Rural Economic Development loan for a road construction project to aid in economic development. The loan requires 10 payments of \$28,000 on December 15 of each year. The following is a schedule of future loan payments:

Year Ending June 30,	Interest Rate	Amount
2015	0%	\$ 28,000
2016	0	28,000
2017	0	28,000
2018	0	28,000
2019	0	28,000
2020 - 2024	0	140,000
Total		\$ 280,000

**(8) Loan Receivable and Developer Agreement**

In November 2013, the County entered into an agreement for private development with the City of Carlisle and Fareway Stores, Inc. The agreement included economic incentives provided by the City and County to build a new store on development property located within the City of Carlisle's Urban Renewal Area.

The County agreed to grant the developer \$300,000 to assist with the purchase of development property, in accordance with Chapter 15A of the Code of Iowa and the Urban Development Act. In addition, the County agreed to loan the City of Carlisle

\$145,000, interest free, with the proceeds to be used to assist the developer with the purchase of development property. The payments were made by the County in April 2014.

The County loan is secured by an urban renewal capital loan note issued by the City of Carlisle. The loan is secured by and is to be repaid solely and only from the incremental property tax generated by the Carlisle urban renewal area #3 with the first payment due June 1, 2015. The annual principal payments from the City of Carlisle are to be credited to the General Fund. The following is a schedule of the future payments to be received by the County.

Year Ending June 30,	Interest Rate	Amount
2015	0%	\$ 23,418
2016	0	24,038
2017	0	28,303
2018	0	30,153
2019	0	32,003
2020	0	7,085
Total		\$ 145,000

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$768,543, \$752,851 and \$692,852, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 174 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2014; the amount actually contributed to the plan and the change in the County’s net OPEB obligation:

Annual required contribution	\$ 234,000
Interest on net OPEB obligation	30,000
Adjustment to annual required contribution	<u>(30,000)</u>
Annual OPEB cost	234,000
Contributions made	<u>(51,000)</u>
Increase in net OPEB obligation	183,000
Net OPEB obligation beginning of year	<u>744,000</u>
Net OPEB obligation end of year	<u>\$ 927,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$51,000 to the medical plan. Plan members eligible for benefits contributed \$21,770, or 30% 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
2012	\$ 206,746	10.0%	\$ 558,000
2013	221,254	17.1	744,000
2014	234,000	21.8	927,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$1,853,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1,853,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,389,000 and the ratio of the UAAL to covered payroll was 22.1%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9.0%. The ultimate health trend rate is 5%. The health trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

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

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

#### **(11) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense estimated for the fiscal 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 basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$188,648.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made on the loss was insured.

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its member is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

## **(12) Joint Vehicle Fueling Facility**

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

**(13) Deficit Balance**

The Special Revenue, Liberty Center Sewer Fund had a deficit balance of \$185 at June 30, 2014.

**(14) Subsequent Event**

In November 2014, the County entered into a loan agreement with the Community Bank of Indianola for \$144,500 to pay costs of public buildings, including equipment. The loan bears interest of between 2% and 2.5% per annum, with the first payment due June 1, 2015.

**(15) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.



**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 12,570,303	-	12,570,303
Interest and penalty on property tax	128,146	-	128,146
Intergovernmental	9,297,545	-	9,297,545
Licenses and permits	74,245	-	74,245
Charges for service	1,117,123	-	1,117,123
Use of money and property	62,140	-	62,140
Miscellaneous	587,403	160,535	426,868
Total receipts	<u>23,836,905</u>	<u>160,535</u>	<u>23,676,370</u>
<b>Disbursements:</b>			
Public safety and legal services	4,742,776	-	4,742,776
Physical health and social services	3,537,491	-	3,537,491
Mental health	1,096,612	-	1,096,612
County environment and education	1,991,324	178,484	1,812,840
Roads and transportation	6,080,181	-	6,080,181
Governmental services to residents	926,766	-	926,766
Administration	2,838,654	-	2,838,654
Debt service	46,301	-	46,301
Capital projects	1,959,799	-	1,959,799
Total disbursements	<u>23,219,904</u>	<u>178,484</u>	<u>23,041,420</u>
Excess (deficiency) of receipts over (under) disbursements	617,001	(17,949)	634,950
Other financing sources, net	489,766	-	489,766
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,106,767	(17,949)	1,124,716
Balance beginning of year	9,363,841	149,329	9,214,512
Balance end of year	<u>\$ 10,470,608</u>	<u>131,380</u>	<u>10,339,228</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
12,668,455	12,668,455	(98,152)
133,000	133,000	(4,854)
8,751,906	9,853,366	(555,821)
51,150	51,150	23,095
1,282,975	1,282,975	(165,852)
66,810	66,810	(4,670)
434,554	457,989	(31,121)
23,388,850	24,513,745	(837,375)
4,729,099	4,839,509	96,733
4,133,726	4,199,056	661,565
1,135,329	1,235,329	138,717
1,271,953	1,880,148	67,308
6,711,413	6,711,413	631,232
899,764	988,925	62,159
2,670,614	3,024,750	186,096
46,332	46,332	31
2,487,662	2,487,662	527,863
24,085,892	25,413,124	2,371,704
(697,042)	(899,379)	1,534,329
325,000	325,000	164,766
(372,042)	(574,379)	1,699,095
7,745,780	9,095,596	118,916
7,373,738	8,521,217	1,818,011

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Warren County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 23,836,905	(240,892)	23,596,013
Expenditures	23,219,904	(100,531)	23,119,373
Net	617,001	(140,361)	476,640
Other financing sources, net	489,766	4,771	494,537
Beginning fund balances	9,363,841	174,702	9,538,543
Ending fund balances	\$ 10,470,608	39,112	10,509,720

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,327,232. 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, 2014, the County's disbursements did not exceed the amounts budgeted by function. However, disbursements for the nutrition and maintenance departments exceeded the amounts appropriated.

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	Jul 1, 2008	-	\$ 1,227	1,227	0.0%	\$ 7,493	16.4%
2012	Jul 1, 2011	-	1,471	1,471	0.0	7,908	18.6
2013	Jul 1, 2011	-	1,657	1,657	0.0	8,145	20.3
2014	Jul 1, 2011	-	1,853	1,853	0.0	8,389	22.1

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

See accompanying independent auditor's report.

**Supplementary Information**

Warren County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2014

	Special Revenue			
	County Recorder's Records Management	Resource Enhance- ment and Protection	Attorney Forfeiture	Sheriff Forfeiture
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 100,543	94,436	4,581	23,589
Accounts receivable	-	-	-	-
Due from other funds	196	173	-	-
Due from other governments	-	-	-	10,000
<b>Total assets</b>	<b>\$ 100,739</b>	<b>94,609</b>	<b>4,581</b>	<b>33,589</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Restricted for other purposes	100,739	94,609	4,581	33,589
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>\$ 100,739</b>	<b>94,609</b>	<b>4,581</b>	<b>33,589</b>

See accompanying independent auditor's report.



Friends of Conservation	Liberty Center Sewer	Capital Projects	Total
131,380	2,062	3,993	360,584
-	785	-	785
-	-	-	369
-	-	-	10,000
131,380	2,847	3,993	371,738
-	2,963	-	2,963
-	69	-	69
-	3,032	-	3,032
131,380	-	3,993	368,891
-	(185)	-	(185)
131,380	(185)	-	368,706

Warren County

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

Year ended June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Special Attorney Forfeiture
Revenues:				
Intergovernmental	\$ -	24,503	-	-
Charges for service	9,078	-	-	-
Use of money and property	196	173	-	-
Miscellaneous	-	-	-	-
Total revenues	9,274	24,676	-	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	512
County environment and education	-	-	-	-
Governmental services to residents	2,449	-	-	-
Total expenditures	2,449	-	-	512
Excess (deficiency) of revenues over (under) expenditures	6,825	24,676	-	(512)
Other financing sources (uses):				
Transfers in	383	-	-	-
Transfers out	-	-	(383)	-
Total other financing sources (uses)	383	-	(383)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,208	24,676	(383)	(512)
Fund balances beginning of year	93,531	69,933	383	5,093
Fund balances end of year	100,739	94,609	-	4,581

See accompanying independent auditor's report.

Revenue				
Sheriff Forfeiture	Friends of Conservation	Liberty Center Sewer	Capital Projects	Total
-	-	-	-	24,503
-	-	13,669	-	22,747
-	-	-	-	369
10,000	160,535	690	-	171,225
10,000	160,535	14,359	-	218,844
30,984	-	-	-	31,496
-	178,484	16,085	-	194,569
-	-	-	-	2,449
30,984	178,484	16,085	-	228,514
(20,984)	(17,949)	(1,726)	-	(9,670)
-	-	-	-	383
-	-	-	-	(383)
-	-	-	-	-
(20,984)	(17,949)	(1,726)	-	(9,670)
54,573	149,329	1,541	3,993	378,376
33,589	131,380	(185)	3,993	368,706

Warren County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	696	369,309	244,230
Other County officials	72,677	-	-	-
Receivables:				
Property tax:				
Delinquent	-	158	988	57,020
Succeeding year	-	85,000	533,000	32,023,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 72,677</b>	<b>85,854</b>	<b>903,297</b>	<b>32,324,250</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	2,640	-
Salaries and benefits payable	-	-	7,767	-
Due to other governments	29,472	85,854	866,139	32,324,250
Trusts payable	43,205	-	-	-
Compensated absences	-	-	26,751	-
<b>Total liabilities</b>	<b>\$ 72,677</b>	<b>85,854</b>	<b>903,297</b>	<b>32,324,250</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
9,401	81,341	5,860	1,241,252	344,881	2,296,970
-	-	-	-	-	72,677
2,133	13,313	1,516	-	127	75,255
1,090,000	16,294,000	614,000	-	258,000	50,897,000
-	-	-	-	33,891	33,891
-	-	-	-	1,539,000	1,539,000
-	-	-	-	71,484	71,484
1,101,534	16,388,654	621,376	1,241,252	2,247,383	54,986,277
-	-	-	-	3,991	6,631
-	-	-	-	4,140	11,907
1,101,534	16,388,654	621,376	1,241,252	2,096,358	54,754,889
-	-	-	-	131,129	174,334
-	-	-	-	11,765	38,516
1,101,534	16,388,654	621,376	1,241,252	2,247,383	54,986,277

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 79,856	85,918	880,071	31,071,180
Additions:				
Property and other county tax	-	87,514	549,707	33,002,040
E911 surcharge	-	-	-	-
State tax credits	-	3,546	22,161	1,255,162
Drivers license fees	-	-	-	-
Office fees and collections	850,994	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	671,027	-	-	-
Miscellaneous	-	-	10,864	-
Total additions	1,522,021	91,060	582,732	34,257,202
Deductions:				
Agency remittances:				
To other funds	434,720	-	-	-
To other governments	422,755	91,124	559,506	33,004,132
Trusts paid out	671,725	-	-	-
Total deductions	1,529,200	91,124	559,506	33,004,132
Balances end of year	\$ 72,677	85,854	903,297	32,324,250

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
1,156,228	15,614,609	584,585	1,091,118	2,909,220	53,472,785
1,125,561	16,758,539	635,051	-	265,664	52,424,076
-	-	-	-	298,244	298,244
47,868	502,427	24,082	-	12,317	1,867,563
-	-	-	129,066	-	129,066
-	-	-	-	-	850,994
-	-	-	13,580,845	-	13,580,845
-	-	-	-	850,659	1,521,686
-	-	-	-	87,396	98,260
1,173,429	17,260,966	659,133	13,709,911	1,514,280	70,770,734
-	-	-	555,699	-	990,419
1,228,123	16,486,921	622,342	13,004,078	1,233,901	66,652,882
-	-	-	-	942,216	1,613,941
1,228,123	16,486,921	622,342	13,559,777	2,176,117	69,257,242
1,101,534	16,388,654	621,376	1,241,252	2,247,383	54,986,277

Warren County

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

For the Last Ten Years

	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 12,568,621	12,347,304	11,582,933	11,434,820
Interest and penalty on property tax	128,175	125,890	134,118	131,188
Intergovernmental	9,073,956	9,050,387	8,295,071	8,259,026
Licenses and permits	73,395	59,335	49,065	50,799
Charges for service	1,115,148	1,294,223	1,154,244	1,106,315
Use of money and property	71,693	72,103	75,528	83,556
Miscellaneous	565,025	613,260	1,137,620	685,458
<b>Total</b>	<b>\$ 23,596,013</b>	<b>23,562,502</b>	<b>22,428,579</b>	<b>21,751,162</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 4,879,166	4,678,285	4,573,861	4,294,861
Physical health and social services	3,524,239	2,957,533	2,836,202	3,042,371
Mental health	1,221,108	1,772,073	4,802,080	3,906,062
County environment and education	1,589,388	1,297,723	1,467,779	1,116,563
Roads and transportation	6,133,405	6,008,547	5,182,055	5,473,688
Governmental services to residents	921,227	1,087,588	826,576	772,331
Administration	2,848,934	2,608,887	2,594,163	2,478,993
Non-program	-	17,742	17,828	281
Debt service	46,301	46,336	25,905	25,905
Capital projects	1,955,605	1,242,074	1,209,194	682,129
<b>Total</b>	<b>\$ 23,119,373</b>	<b>21,716,788</b>	<b>23,535,643</b>	<b>21,793,184</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
11,441,171	11,453,420	10,856,199	10,012,217	9,039,256	8,744,970
149,108	142,432	150,009	134,630	129,981	118,383
10,424,897	9,863,840	7,226,199	7,991,557	7,112,383	6,127,442
45,255	53,085	56,375	72,145	88,350	103,448
1,067,973	1,088,935	1,117,378	1,053,691	1,137,039	1,030,308
90,910	138,804	364,291	448,356	285,375	154,853
594,686	528,665	469,577	409,063	502,144	633,937
23,814,000	23,269,181	20,240,028	20,121,659	18,294,528	16,913,341
4,004,824	3,989,306	3,948,411	3,728,866	3,674,865	3,988,525
2,652,571	2,494,732	2,421,017	2,377,752	2,054,666	1,792,350
2,895,774	2,756,204	2,951,364	2,743,476	2,713,918	2,634,837
1,119,994	1,183,451	959,022	935,270	804,023	841,841
5,861,559	5,577,710	5,905,350	5,270,656	4,925,412	4,759,210
749,897	767,527	644,439	618,230	897,476	575,169
2,406,804	2,595,841	2,252,355	2,149,060	2,049,422	1,866,473
175	6,131	12,804	3,289	-	80,000
443,520	516,944	554,828	658,125	765,977	496,495
2,579,032	1,613,199	643,925	883,407	479,805	1,057,685
22,714,150	21,501,045	20,293,515	19,368,131	18,365,564	18,092,585

**Schedule 6**

## Warren County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 14,327
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		21,381
Interstate 35 Telephone Company:			
Rural Economic Development Loans and Grants	10.854		280,000
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-14-48-CJ	30,229
Violence Against Women Formula Grants	16.588	VW-14-48-CJ	27,788
Governor's Office of Drug Control Policy:			
Polk County Sheriff:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	09JAG/ARRA-3460B	55,261
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO91(89)	888,444
Highway Planning and Construction	20.205	HDP-CO91(87)-71-91	298,965
Highway Planning and Construction	20.205	EDP-CO91(64)-7Y-91	21,373
			1,208,782
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	13-04, Task 26	12,420
State and Community Highway Safety	20.600	14-402-MOPT, Task 24-00.00	1,327
			13,747
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032		3,000

Warren County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5883BT91	4,027 **
Immunization Cooperative Agreements	93.268	5883I477	11,443
Immunization Cooperative Agreements	93.268	5884I477	1,145
			<u>12,588</u>
Maternal and Child Health Services			
Block Grant to the States	93.994	5883MH28	7,173
Maternal and Child Health Services			
Block Grant to the States	93.994	5884MH28	29,579
			<u>36,752</u>
Iowa Department of Public Health:			
Central Iowa Coordinated Response Coalition:			
Public Health Emergency Preparedness	93.069		49,684 **
Iowa Department on Aging:			
Aging Resources of Central Iowa:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		72,807
Nutrition Services Incentive Program	93.053		31,184 *
			<u>103,991</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		41
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,147
Foster Care_Title IV-E	93.658		8,247
Adoption Assistance	93.659		2,822
Children's Health Insurance Program	93.767		91
Medical Assistance Program	93.778		37,187
Social Services Block Grant	93.667		6,831
Social Services Block Grant	93.667		10,639
			<u>17,470</u>

**Schedule 6**

Warren County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1930	32,602
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 4119	61,129
			<u>93,731</u>
Emergency Management Performance Grants	97.042	EMPG-13-PT-91	38,183
Total indirect			<u>2,051,149</u>
Total			<u>\$ 2,065,476</u>

\* Includes \$3,010 of non-cash awards.

\*\* Total for CFDA # 93.069 is \$53,711.

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

See accompanying independent auditor's report.



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Warren County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-D-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-14 through II-M-14 to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Warren County's Responses to the Findings


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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2015

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

**Warren County**





OFFICE OF AUDITOR OF STATE  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Warren County:

Report on Compliance for Each Major Federal Program

We have audited Warren County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Warren County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Warren County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.


Report on Internal Control Over Compliance


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

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

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 6, 2015

Warren County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

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

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

Responses –

- (a) Zoning – I will have another coworker within Warren County review my deposits/receipts book.
- (b) Sheriff – The Sheriff's Office will have the County Auditor's Office also check bank statements once they are done within the Sheriff's Office.
- (c) Congregate Meals – I am in a one person office. I do the best I can.
- (d) Engineer – The engineering department plans on hiring a part time administrative assistant to assist with office duties, as funding allows. The fuel usage reports will be reviewed periodically by an independent person for propriety.
- (e) Recorder – We do the best we can to have dual control in our procedures. We train each employee to do everything in the office to handle dual controls. We will prepare bank reconciliations and have our Internal Auditor review.
- (f) MH/DD Community Services – Due to limited staff availability, one individual maintains receipts, codes and submits the financial transactions. However, additional employees review the records prior to submittal to the Auditor's or Treasurer's Office. Additionally, another employee reviews the month end reports for outliers.
- (g) Conservation – Every effort is made to ensure all receipts are handled properly. The Director is consulting with Friends of Warren County Conservation (FWCC) to assist with finances. The FWCC Treasurer oversees the banking statements and Quicken Accounts.
- (h) Friends of Warren County Conservation – Every effort is made to ensure all receipts are handled properly. The Director is consulting with FWCC to assist with finances. The FWCC treasurer oversees the banking statements and Quicken Accounts.
- (i) Treasurer – We do not have enough staff. All tax employees have the ability to make entries and void receipts.
- (j) Emergency Management – This is a one person office. I work under the EM commission to ensure the best office duty and practices.
- (k) E911 – It is a one person office. I scan and file all bills and receipts onto a shared drive for documentation.

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Conclusion – Responses acknowledged. All offices should review current operating procedures for the areas noted to obtain the maximum internal control possible. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

II-B-14 Financial Reporting – During the audit, we identified the following financial reporting errors:

Receivables – Secondary roads department receivables of \$484,380, public health receivables of \$73,168 and other receivable balances were not initially reported as receivables in the County's financial statements at June 30, 2014.

Payables – Mental health payables of \$232,240 and \$11,995 of retainage payable were not initially reported as payables in the County's financial statements at June 30, 2014.

Sheriff's Law Enforcement Contracts – \$57,796 of law enforcement contract receivables were not initially reported as receivables in the County's financial statements at June 30, 2014.

Capital Assets – Certain capital assets were not identified and added to the capital asset listing. In addition, certain capital assets which were sold were not removed from the capital asset listing and the gain on sale was not recorded by the County.

Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Responses –

Receivables, Payables and Capital Assets – Increased oversight and additional training will be implemented to correctly account for accruals. Capital assets will be recorded as soon as purchased. Those sold will be removed from the inventory list and the gain on sale recorded appropriately.

Sheriff's Law Enforcement Contracts – A separate ledger will be maintained showing the billing dates and when the receipts are received in the Sheriff's Office.

Conclusion – Responses accepted.

II-C-14 Payroll – The County transitioned to a third party payroll processing vendor starting with the pay period ended May 16, 2014. The vendor provides a web based time card system. County employees or their supervisor complete timesheets online by recording the actual time they started and finished working or they record eight hours per day and the number of hours of overtime worked, as applicable. The employee's supervisor, County Administrator or a Board Member approves the timesheets by sending an email to the employee designated as County Payroll Administrator.

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The County Payroll Administrator submits the time sheet file electronically to the vendor. The vendor processes the payroll and emails an electronic payroll journal to the County Administrator and Payroll Administrator. Both review and approve the payroll journals before the vendor processes the payroll.

Once the payroll is approved, the payroll vendor processes electronic withdrawals directly from the County's bank account for the net pay of all employees who use automatic deposit, all employee federal and state withholdings and the employee's and employer's share of FICA and Medicare taxes.

The payroll vendor prints and digitally signs paper checks for County employees who opted out of automatic deposit. The payroll vendor does not withdraw the net pay from the County's bank account, but withdraws the payroll taxes for these individuals from the County's bank account.

The payroll vendor sends the County an electronic file which includes the amounts withdrawn by EFT, the amount the payroll vendor excluded from net pay for employee paid benefits and the calculated employer and employee portion of IPERS. This information is then uploaded into the County's accounting system. In addition, the payroll vendor sends a listing of each employee's accrued vacation and sick leave balance at the end of the pay period.

The County's Payroll Administrator is responsible for entering changes in pay rates and benefit deductions into the web based payroll system. In addition, the Payroll Administrator is responsible for adding and removing employees from the payroll system.

The following weaknesses with the payroll processing system were noted:

- The payroll vendor digitally signs checks drawn directly from the County's bank account.
- The payroll vendor withdraws state, federal, FICA and Medicaid taxes directly from the County's bank account and pays the State and Federal government. The County does not receive any verification of the amounts paid.
- There is no independent review of employees added to or removed from the web based system.
- There is no independent review of pay rate changes or employee benefit deductions.
- Supervisory personnel send an email approving a group of timesheets, but they are not required to sign individual timesheets.
- In some instances, employees do not have ready access to a personal computer and complete paper timesheets which are input by the employee's supervisors. There is no review of the information entered by the supervisor.
- The payroll file sent by the vendor is not entirely compatible with the County's accounting system. A County employee must manually input amounts to be withheld from employees for benefits into holding accounts for each employee to prevent duplicate recording of expenditures.
- The only record of compensatory time is on individual employee pay stubs.

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Schedule of Findings and Questioned Costs

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- The County does not receive a listing of vacation and sick time accrued or used at the end of the fiscal year for the activity of the entire year.
- The checks drawn by the payroll vendor are not run through the County's accounting system. The file sent by the vendor records the checks as being cashed when they may still be outstanding, resulting in the Treasurer's office having to manually track the outstanding paper checks.
- In May, several paper payroll checks had to be reissued and they were reissued using the same check number as the original check.

Recommendation – The County should not allow anyone to withdraw funds directly from its bank account. The County should consider setting up a payroll clearing account which would only allow the outside vendor access to the funds required to cover payroll. In addition, the County should institute procedures to ensure any changes made to the payroll system are appropriately reviewed and such review is documented. Individual timesheets and hours worked should be reviewed and this review should be documented. The County should also receive information for vacation, sick leave and compensatory time for the entire year and monitor and review the balances. The County may want to work with the payroll vendor to make upgrades to eliminate the need to manually record information from the vendor's electronic file.

Response – A payroll clearing account will be set up as recommended. Timesheets and hours are reviewed bi-weekly by department directors and then by the office manager when pre-process reports are sent to be reviewed by Kabel Business Systems. Reports are available each pay period displaying all time off, including vacation, sick, family sick, floating holiday and compensatory time. Annual reports are now available for each of these. The County is working to eliminate the need to manually record information and creating a more efficient way to record payroll transactions. A meeting with Kabel Business Systems resulted in new methods of payroll integration into the financial software system.

Conclusion – Response acknowledged. Any review of timesheets or changes to the system should be documented. Annual reports for vacation, sick leave and compensatory time for total earned, used and ending balances for the year should be maintained.

II-D-14 Journal Entries – Adjusting journal entries are not independently reviewed.

Recommendation – The County should establish procedures to ensure all adjusting journal entries are reviewed by a qualified individual.

Response – The County Administrator will review all budget general journal entries performed by the Budget Coordinator at the end of each month.

Conclusion – Response accepted.



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Year ended June 30, 2014

- II-E-14 County Sheriff – A current trust listing is not maintained and reconciled with book balances.  
Recommendation – A list of trusts on hand should be prepared and reconciled to book balances monthly.  
Response – We will look into this and make the appropriate change.  
Conclusion – Response accepted.
- II-F-14 Jail Commissary – One individual collects, deposits and records receipts for the Jail Commissary. The listing of inmate receipts is not reconciled to receipt records and deposited by an independent person. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety. The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts. Unused checks and signature stamps are not adequately controlled.  
Recommendation – The County Sheriff should review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, bank reconciliations should be printed and reviewed monthly by an independent person for propriety. The reviews should be documented by the signature or initials of the reviewer and the date of the review. Inmate ledgers should be reconciled to deposits to ensure funds are properly recorded. Unused checks and signature stamps should be properly safeguarded.  
Response – The Criminal clerk will also reconcile the bank statement after the Jail Administrator has reconciled it. Checks are now in a locked drawer so there is limited access.  
Conclusion – Response acknowledged. Inmate ledgers should also be reconciled to deposits to ensure funds are properly recorded.
- II-G-14 Timely Deposits – Various State and County checks received by the Sheriff's Office were not deposited in a timely manner. In one instance, a check for \$41,000 was not redeemed for over six months.  
Recommendation – All funds received should be deposited intact on a timely basis.  
Response – Deposits will be done weekly.  
Conclusion – Response accepted.
- II-H-14 Public Health Nurse – Reconciliations of nursing service billings, collections and receivables were not prepared each month.  
Recommendation – A reconciliation of nursing service billings, collections and receivables should be prepared monthly.  
Response – At this time we do not have adequate staff to complete a monthly reconciliation of all nursing billings and collections. In the past couple years we have made some progress toward this goal and will continue our efforts in this area and utilization of our software reports.  
Conclusion – Response acknowledged. To strengthen controls over the proper collection of all billed services, a reconciliation of billings, collections and receivables should be performed monthly.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-I-14 Warren County Necessity Pantry – One individual purchases supplies, collects donated supplies and dispenses goods to families who qualify for assistance. Although the items provided to families are tracked each month, they are not tracked by an independent person. Additionally, the donated items are not added to the inventory listing.

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

Response – We only have two staff, one of which will be dropping to part-time in January. Every item purchased is tracked and receipts are scanned into our system. The only items which aren't specifically tracked are ones which are donated. We do track every item purchased.

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

II-J-14 City Law Enforcement Contracts – The County Sheriff contracts with cities within the County to provide law enforcement services. The contracts for five of eight cities have expired. The County and cities have continued operating under the terms of the old contract. However, the contracts should be kept current to avoid any possible disputes. Additionally, billings, collections and receivables for these contracts are not always properly recorded timely.

Recommendation – The County Sheriff should maintain a ledger to document contract law enforcement billings, collections and receivables. This ledger should be reconciled to deposits by an independent person. The Sheriff's Office should review the law enforcement contracts annually and renew the contracts before the contract period expires.

Response – A ledger has been established and an independent person receipts it and remits it to the County Treasurer.

Conclusion – Response accepted.

II-K-14 Travel Claims – On May 21, 2013, the County amended the claims policy to require detailed receipts. In March and April 2014, claims were paid for the prepayment of a Wyndham Nashville condo rental for one individual totaling \$857. The supporting documentation for the claims were screen prints of PayPal transactions. An invoice from Wyndham properties has not been provided as supporting documentation.

Recommendation – The County should ensure the written claims policy is followed and require detailed receipts for all claims.

Response – Travel claims will not be paid unless the employee submits proper documentation, including original receipts when necessary, to the County Auditor.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-L-14 Job Descriptions and Procedures Manuals – There are no current updated policy and procedure manuals, accounting manuals or detailed job descriptions in most offices in the County. We encourage the development of detailed job descriptions for all County employees and office policies and procedures and standardized accounting manuals for all County offices. These documents should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Improve efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Recommendation – Detailed job descriptions should be in place for all positions in the County and office policies and procedures and standardized accounting manuals should be prepared for all County offices.

Response – The County has a policy manual which continues to be updated as necessary. A review of this manual will be complete for verification and consistency with current laws, regulations and County policies. Job descriptions exist in most departments. Elected offices have discretion over their offices.

Conclusion – Response acknowledged. The County should ensure policy and procedures and standardized accounting manuals and detailed job descriptions are current and up to date for all departments and offices.

II-M-14 Building Maintenance and Groundskeeping – The County replaced the maintenance department with outside companies in April 2014. The County entered into a month to month agreement with a business for cleaning services at County buildings and an agreement with another company for grounds upkeep. The County contacted local businesses to provide the services without obtaining quotes or competitive bids. These services should be bid and the lowest responsible cost should be obtained to prevent any impression of impropriety.

Recommendation – Although public bidding may not be required, the County should observe prudent business practices to ensure a fair price for the County taxpayers and proper public benefit.

Response – In November 2014, requests for proposals (RFPs) were written and open for public submittal. Quotes were received from several vendors for both cleaning and lawn/snow removal. These services are considered personal contract services and are not subject to public bidding procedures under the laws of the State of Iowa.

Conclusion – Response acknowledged. Although public bidding may not be required, the County should observe prudent business practices to ensure a fair price for the County taxpayers and proper public benefit.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Warren County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted. However, disbursements for the Nutrition and Maintenance departments exceeded the amounts appropriated.

Recommendation – The County should closely monitor budgets and appropriations and take action to amend appropriations before the appropriated amount is exceeded.

Response – The departments which were over budget for fiscal year 2014 were an oversight by the Budget/Finance Department. The County will make sure funds are re-appropriated as necessary for current and future years.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – The following questionable expenditures were made during the year June 30, 2014.

- The Wellness Committee set up an event for employees to lose weight. The County agreed to pay \$100 of the \$160 one-time event fee for employees who signed up. Ten employees signed up for a cost of \$1,000. The program was offered through one fitness center in Indianola and it does not appear any of the other five fitness centers in Indianola were contacted.
- The County spent \$255 on candy and other miscellaneous snacks for a turkey trot. \$96 was used to purchase pizza for a training and education meeting. The candy, miscellaneous snacks and pizza were purchased for employees as part of the County's wellness program.

These expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirements for proper documentation. The Board should also give the same opportunity for business to all other fitness centers in town.

Response – The wellness program is aimed at increasing awareness of health and physical well-being to employees. The County's health insurance claims have significantly dropped over the past two years due to increased participation.

Conclusion – Response acknowledged. The Board should determine and specifically document the public purpose served by the disbursements before authorizing any further payments. The County should also establish written policies and procedures, including requirements for proper documentation, and ensure all other fitness centers are provided the same opportunities.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Andy Coffman, Secondary Roads motorgrader operator, brother owns Coffman Glass	Glass supplies	\$ 2,845

These transactions do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(d) of the Code of Iowa since the remuneration of employment is not directly affected as a result of the contracts and his duties of employment do not directly involve the procurement or preparation of any part of the services.

IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-J-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

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

Response – The bank now sends the front and back images of checks.

Conclusion – Response accepted.

IV-K-14 Sheriff's D.A.R.E. Account – The County Sheriff maintains a bank account for the D.A.R.E. program. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

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

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

Conclusion – Response accepted.

IV-L-14 Commissary Account – The County Sheriff maintains a bank account for the Commissary.

Recommendation – Commissary profits should be remitted to the County Treasurer at least annually.

Response – We will have the County Auditor help us get this into motion.

Conclusion – Response accepted.

IV-M-14 Sheriff Fees Account – The County Sheriff maintains a bank account for Sheriff fees. The financial activity of this account includes grants and forfeiture activity which should be deposited directly with the County Treasurer for the General Fund or a Special Revenue Fund.

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

Response – Grant money is now being deposited with the County Treasurer.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-N-14 County Provided Vehicles – Emergency Management and E911 use county vehicles to commute to and from work while on call. Internal Revenue Service Publication 15-B, “Employer’s Tax Guide to Fringe Benefits”, states personal use of an employee provided vehicle is a non-cash taxable fringe benefit. The County is not reporting this fringe benefit as employee wages.

Recommendation – The County should comply with Internal Revenue Service regulations.

Response – A review of the County’s practice regarding utilization of County vehicles is currently being reviewed for IRS compliance.

Conclusion – Response accepted.

- IV-O-14 Financial Condition – The Special Revenue, Liberty Center Sewer Fund had a deficit fund balance of \$185 at June 30, 2014.

Recommendation – The County should investigate alternatives to eliminate the deficit balance.

Response – The County is currently looking at ways to prevent this from happening in the future.

Conclusion – Response accepted.



Warren County

Staff

This audit was performed by:

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