



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

February 15, 2011

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$58,949,220 for the year ended June 30, 2010, which included \$1,754,615 in tax credits from the state. The County forwarded \$47,116,277 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,832,943 of the local tax revenue to finance County operations, a less than one percent decrease from the prior year. Other revenues included charges for service of \$2,680,937, operating grants, contributions and restricted interest of \$8,412,423, capital grants, contributions and restricted interest of \$2,491,509, unrestricted investment earnings of \$75,900 and other general revenues of \$243,272.

Expenses for County operations totaled \$21,601,772, a less than one percent increase over the prior year. Expenses included \$6,989,359 for roads and transportation, \$4,072,181 for public safety and legal services and \$2,907,415 for mental health.

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/1010-0091-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, 2010

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Warren County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Grace	Board of Supervisors	Jan 2011
G. Kevin Middleswart	Board of Supervisors	Jan 2011
Doug Shull	Board of Supervisors	Jan 2013
Traci Vander Linden	County Auditor	Jan 2013
Julie Daugherty	County Treasurer	Jan 2011
Polly Glascock	County Recorder	Jan 2011
James Lee	County Sheriff	Jan 2013
Brian Tingle	County Attorney	Jan 2011
Brian Arnold	County Assessor	Jan 2016

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Warren County's management. Our responsibility is to express opinions on these financial statements based on our audit.

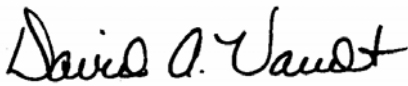
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Warren County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

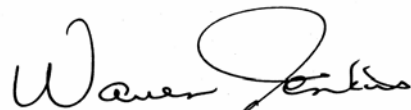
In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2010 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on the financial statements for the seven years ended June 30, 2009 and qualified opinions on the financial statements for the two years ended June 30, 2002 due to the effects of the omission of the general fixed assets account group. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 3.6%, or approximately \$954,000, from fiscal year 2009 to fiscal year 2010. Property tax decreased approximately \$12,000, operating grants, contributions and restricted interest increased approximately \$599,000, capital grants, contributions and restricted interest decreased approximately \$1,643,000 and charges for service increased approximately \$225,000.
- Program expenses were less than one percent, or approximately \$147,000, more in fiscal year 2010 than in fiscal year 2009. Roads and transportation function expenses increased approximately \$384,000 and administration function expenses decreased approximately \$197,000.
- The County's net assets increased 10%, or approximately \$4,135,000, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Warren County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other 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 Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

The financial statement required for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's combined net assets increased 10% from a year ago, increasing from approximately \$40.7 million to approximately \$44.8 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 20,987	19,449
Capital assets	37,291	34,874
Total assets	<u>58,278</u>	<u>54,323</u>
Long-term liabilities	1,133	1,229
Other liabilities	12,265	12,350
Total liabilities	<u>13,398</u>	<u>13,579</u>
Net assets:		
Invested in capital assets	37,291	34,450
Restricted	3,120	2,415
Unrestricted	4,469	3,879
Total net assets	<u>\$ 44,880</u>	<u>40,744</u>

Net assets of Warren County's governmental activities increased approximately \$4,135,000 (approximately \$40.7 million compared to approximately \$44.9 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

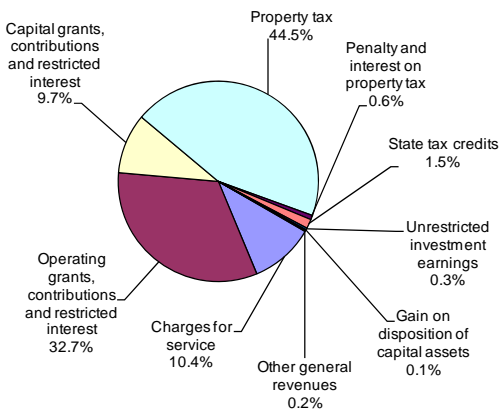
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset category increased approximately \$705,000, or 29%, over the prior year, primarily a result of the state funding levels being greater than the current year's mental health expenditures.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$3.88 million at June 30, 2009 to approximately \$4.4 million at the end of this year, an increase of 15.2%. This increase of approximately \$590,000 was primarily due to increased funds on hand in the General Fund at year end.

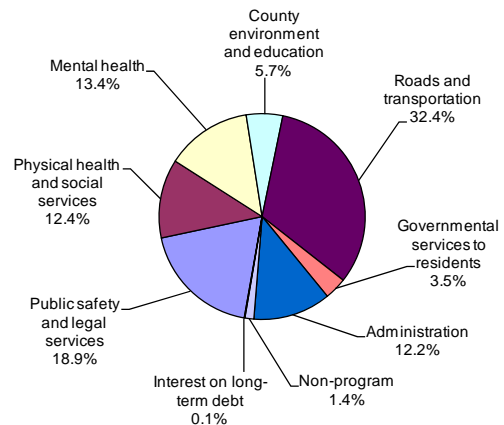
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 2,681	2,456
Operating grants, contributions and restricted interest	8,412	7,813
Capital grants, contributions and restricted interest	2,492	4,135
General revenues:		
Property tax	11,444	11,456
Penalty and interest on property tax	173	162
State tax credits	389	424
Unrestricted investment earnings	76	117
Gain on disposition of capital assets	23	71
Other general revenues	47	57
Total revenues	25,737	26,691
Program expenses:		
Public safety and legal services	4,072	4,142
Physical health and social services	2,678	2,603
Mental health	2,908	2,768
County environment and education	1,225	1,352
Roads and transportation	6,989	6,605
Governmental services to residents	759	786
Administration	2,640	2,837
Non-program	309	323
Interest on long-term debt	21	38
Total expenses	21,601	21,454
Increase in net assets	4,136	5,237
Net assets beginning of year	40,744	35,507
Net assets end of year	\$ 44,880	40,744

Revenues by Source



Expenses by Program



Warren County's net assets of governmental activities increased approximately \$4,135,000 during the year. Revenues for governmental activities decreased approximately \$954,000 over the prior year, with property tax revenue down from the prior year approximately \$12,000. Operating grants, contributions and restricted interest increased approximately \$599,000, or 7.7%, while capital grants, contributions and restricted interest decreased approximately \$1,643,000, or 40%. The decrease in capital grants, contributions and restricted interest is due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation, offset by a land donation for a conservation wetlands project.

The County decreased property tax rates for fiscal year 2010 an average of 4%. Due to an increase in assessed valuations of approximately \$54 million, or 3.9%, the decrease in property tax rates only slightly decreased the County's property tax revenue by approximately \$12,000. Based on increases in the total assessed valuation and decreases in property tax levies, property tax revenue is budgeted to decrease \$30,000 for fiscal year 2011.

The cost of all governmental activities this year was approximately \$21.6 million compared to approximately \$21.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$8.0 million because some of the cost was paid by those directly benefited from the programs (\$2.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (\$10.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$14.4 million in fiscal year 2009 to approximately \$13.6 million in fiscal year 2010, principally due to capital grants and contributions for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$12.15 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of approximately \$7.9 million, an increase of approximately \$1,300,000 above last year's total of approximately \$6.6 million. The increase in fund balance is primarily attributable to state funding of mental health services. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$711,000 over the prior year, due principally to increases in grants for capital projects offset by a decrease in interest due to declining interest rates from the prior year. Additionally, expenditures increased approximately \$413,000 over the prior year. This increase was primarily due to capital projects, which included the courthouse annexation building renovation project, land purchase for a conservation wetlands area and a geothermal energy efficiency project. Physical health and social services function expenditures increased due to costs associated with H1N1 vaccinations. Administration function expenditures decreased from fiscal year 2009, which included costs for outside legal counsel to represent the County in an annexation dispute, and county environment and education function expenditures decreased for repairs related to a FEMA project primarily completed in fiscal year 2009. The ending fund balance increased approximately \$930,000 over the prior year to approximately \$4,664,000.
- The Mental Health Fund revenues decreased approximately \$461,000 due to a decrease in funding from the State of Iowa. The County was eligible for more funding from the State during fiscal year 2009 due to the County's fund balance to expenditures ratio. Also, the County started a case management program in fiscal year 2010 which generated \$158,000 in new revenues. Expenditures totaled approximately \$2,896,000 in fiscal year 2010, an increase of approximately \$140,000, or 5%, over the prior year which was attributable to

the new case management program. The Mental Health Fund balance at year end increased approximately \$583,000 over the prior year which was primarily due to the state funding level being greater than the current year's expenditures.

- Rural Services Fund revenues decreased approximately \$15,000 from the prior year due to decreases in zoning fees associated with the declining economy and less land development. Expenditures increased approximately \$202,000 over the prior year. This increase was primarily in the roads and transportation function due to the direct purchase of maintenance rock out of the Rural Services Fund in fiscal year 2010 and none in fiscal year 2009. These changes resulted in an increase in the Rural Services Fund balance of approximately \$2,600.
- Secondary Roads Fund revenues increased approximately \$332,000, primarily due to an increase in grants from the Federal Emergency Management Agency (FEMA) for a federal disaster declaration due to flooding and an increase in road use tax revenues. Revenues from a bridge replacement grant decreased during fiscal year 2010. Secondary Roads Fund expenditures increased approximately \$511,000 over the prior year, due principally to construction costs associated with FEMA repairs and the purchase of new equipment. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$168,000, or 24%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget one time. The amendment was made on April 6, 2010. This amendment resulted in an increase in budgeted disbursements related to road repairs due to a federally recognized flood disaster. The additional repairs were funded with Federal Emergency Management Agency grants. The amendment also decreased the mental health function due to a re-estimate of the first year of case management services and re-estimate of client services for mental health care. Capital projects function disbursements increased due to a conservation wetlands project, a courthouse annexation building remodeling project and an energy efficiency project.

The County's receipts were \$964,983 less than budgeted, a variance of 3.9%. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated, primarily due to reimbursement grants not being completed within the fiscal year as budgeted (Federal Emergency Management Agency and bridge replacement grants).

Total disbursements were \$2,092,769 less than the amended budget. Actual disbursements for the roads and transportation, capital projects, physical health and social services and public safety functions were \$913,861, \$560,005, \$200,113 and \$194,818, respectively, less than budgeted. Roads and transportation was due to southwest connector engineering and FEMA projects not being completed within the fiscal year. The capital projects activity was primarily due to the bridges and FEMA projects not being completed during the fiscal year, budgeted undefined projects not being utilized, and timing for the Lacona Meal Site project. Physical health and social services activity was primarily due to grants not being utilized for the allowed amount and less demand from clients for services. Public safety activity was less due to fewer prisoners housed out of the county and less juvenile detention services were needed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Warren County had approximately \$37 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 \$2.4 million, or 6.9%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 1,708	992
Intangibles	97	-
Buildings and improvements	5,848	5,671
Equipment and vehicles	2,675	1,905
Infrastructure	26,963	26,306
Total	\$ 37,291	34,874
This year's major additions included (in thousands):		
Roads		\$ 1,857
Engineering equipment		1,221
Conservation wetlands		813
Total		\$ 3,891

The County had depreciation expense of \$1,794,927 in fiscal year 2010 and total accumulated depreciation of \$21,170,167 at June 30, 2010.

The County's fiscal year 2010 budget included \$3,052,781 for capital projects, principally for bridge projects, flood repairs to roads for a federally declared disaster, purchase of land for conservation wetlands and building renovation for future office space. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010, Warren County had \$208,000 in general obligation notes outstanding compared to \$420,000 of general obligation bonds outstanding at June 30, 2009, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation notes	\$ 208	-
General obligation bonds	-	420
Capital lease purchase agreements	19	34
Total	\$ 19	454

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent 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 \$145 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 2011 budget, tax rates and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 6.4% versus 5.3% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.5%.

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 1.2% for fiscal year 2010 compared with the national rate of 1.1%. After the end of fiscal year 2010 the Consumer Price Index increased slightly due to energy and food costs. As of September 2010, the Midwest Region of the Department of Labor CPI was -1.6% compared with the national rate of 1.1%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$22 million, a decrease of \$2.9 million from the final fiscal year 2010 budget. Decreases in FEMA grants due to projects being completed and mental health state grants due to funding restrictions are expected to be the source of this decrease. Budgeted disbursements are expected to fall approximately \$2.09 million from the final fiscal year 2010 budget. Warren County reduced budgeted capital projects function disbursements to correspond with the decreases in receipts and FEMA grants for its projects. The budget includes decreases in the debt service function due to debt being paid off in fiscal year 2010 for the administration building. The County has increased case management for mental health services due to an increase in employed case managers to manage the growth in clients being served. The County also considered the effect inflation and consumer demands for services have on program costs

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,097,000, or 15.7%, by the close of fiscal year 2011.

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

Warren County
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,921,748
Receivables:	
Property tax:	
Delinquent	38,986
Succeeding year	11,043,000
Interest and penalty on property tax	223,200
Accounts	168,979
Accrued interest	27,447
Due from other governments	1,223,491
Inventories	287,170
Prepaid insurance	53,632
Capital assets (net of accumulated depreciation)	<u>37,290,635</u>
Total assets	<u>58,278,288</u>
Liabilities	
Accounts payable	725,783
Accrued interest payable	2,913
Salaries and benefits payable	100,862
Due to other governments	392,808
Deferred revenue:	
Succeeding year property tax	11,043,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	17,165
Capital lease purchase agreements	12,312
Compensated absences	424,303
Portion due or payable after one year:	
General obligation notes	190,835
Capital lease purchase agreements	6,620
Compensated absences	229,126
Net OPEB liability	<u>253,008</u>
Total liabilities	<u>13,398,735</u>
Net Assets	
Invested in capital assets	37,290,635
Restricted for:	
Supplemental levy purposes	200,860
Mental health purposes	1,646,264
Secondary roads purposes	848,082
Debt service	13,792
Capital projects	6,494
Other purposes	404,162
Unrestricted	<u>4,469,264</u>
Total net assets	<u>\$ 44,879,553</u>

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,072,181	437,908	311,431	-	(3,322,842)
Physical health and social services	2,678,150	643,466	1,071,342	-	(963,342)
Mental health	2,907,415	214,714	2,193,492	-	(499,209)
County environment and education	1,224,895	51,655	180,049	822,985	(170,206)
Roads and transportation	6,989,359	76,734	4,654,489	1,568,524	(689,612)
Governmental services to residents	759,391	800,295	417	-	41,321
Administration	2,639,909	130,905	-	100,000	(2,409,004)
Non-program	309,414	325,260	-	-	15,846
Interest on long-term debt	21,058	-	1,203	-	(19,855)
Total	\$ 21,601,772	2,680,937	8,412,423	2,491,509	(8,016,903)
General Revenues:					
Property and other county tax levied for:					
General purposes					11,023,287
Debt service					420,326
Penalty and interest on property tax					173,271
State tax credits					389,330
Unrestricted investment earnings					75,900
Gain on disposition of capital assets					23,121
Miscellaneous					46,880
Total general revenues					12,152,115
Change in net assets					4,135,212
Net assets beginning of year					40,744,341
Net assets end of year					\$ 44,879,553

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2010

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 4,521,093	1,971,014	606,312
Receivables:			
Property tax:			
Delinquent	27,766	3,608	7,612
Succeeding year	7,647,000	1,002,000	2,394,000
Interest and penalty on property tax	223,200	-	-
Accounts	83,655	6,845	506
Accrued interest	27,447	-	-
Due from other funds	1,428	-	-
Due from other governments	337,553	155,812	-
Inventories	-	-	-
Prepaid insurance	53,632	-	-
Total assets	\$ 12,922,774	3,139,279	3,008,430
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 229,282	95,067	874
Salaries and benefits payable	69,144	5,913	4,387
Due to other funds	12,109	611	22,593
Due to other governments	18,896	362,360	-
Deferred revenue:			
Succeeding year property tax	7,647,000	1,002,000	2,394,000
Other	281,986	3,525	7,471
Total liabilities	8,258,417	1,469,476	2,429,325
Fund balances:			
Reserved for:			
Supplemental levy purposes	260,663	-	-
Debt service	-	-	-
Unreserved:			
Designated for future jail expansion	654,857	-	-
Unreserved, reported in:			
General fund	3,748,837	-	-
Special revenue funds	-	1,669,803	579,105
Capital projects fund	-	-	-
Total fund balances	4,664,357	1,669,803	579,105
Total liabilities and fund balances	\$ 12,922,774	3,139,279	3,008,430

See notes to financial statements.

Secondary Roads	Nonmajor	Total
414,396	408,933	7,921,748
-	-	38,986
-	-	11,043,000
-	-	223,200
70,816	-	161,822
-	-	27,447
29,879	2,013	33,320
680,094	14,878	1,188,337
253,969	-	253,969
-	-	53,632
<u>1,449,154</u>	<u>425,824</u>	<u>20,945,461</u>
311,772	705	637,700
20,747	671	100,862
15,871	-	51,184
11,525	-	392,781
-	-	11,043,000
558,097	-	851,079
<u>918,012</u>	<u>1,376</u>	<u>13,076,606</u>
-	-	260,663
-	13,792	13,792
-	-	654,857
-	-	3,748,837
531,142	404,162	3,184,212
-	6,494	6,494
<u>531,142</u>	<u>424,448</u>	<u>7,868,855</u>
<u>1,449,154</u>	<u>425,824</u>	<u>20,945,461</u>

Warren County

Warren County

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

June 30, 2010

Total governmental fund balances (page 19) \$ 7,868,855

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$58,368,469 and the accumulated depreciation is \$21,140,079. 37,228,390

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 851,079

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 Assets, as follows:

Capital assets of \$92,333 less accumulated depreciation of \$30,088	\$ 62,245	
Other net assets	5,266	67,511

Long-term liabilities, including notes payable, capital lease purchase agreements payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,136,282)

Net assets of governmental activities (page 16) \$ 44,879,553

See notes to financial statements.

Warren County

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

Year ended June 30, 2010

	General	Mental Health
Revenues:		
Property and other county tax	\$ 7,524,503	1,035,139
Interest and penalty on property tax	149,108	-
Intergovernmental	2,901,158	2,417,510
Licenses and permits	21,800	-
Charges for service	1,040,704	-
Use of money and property	87,458	-
Miscellaneous	425,255	25,661
Total revenues	<u>12,149,986</u>	<u>3,478,310</u>
Expenditures:		
Operating:		
Public safety and legal services	3,979,161	-
Physical health and social services	2,652,571	-
Mental health	-	2,895,774
County environment and education	804,450	-
Roads and transportation	-	-
Governmental services to residents	745,409	-
Administration	2,406,804	-
Non-program	175	-
Debt service	3,800	-
Capital projects	665,954	-
Total expenditures	<u>11,258,324</u>	<u>2,895,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>891,662</u>	<u>582,536</u>
Other financing sources (uses):		
Sale of capital assets	12,397	-
Operating transfers in	208,000	-
Operating transfers out	(181,900)	-
General obligation notes issued	-	-
Total other financing sources (uses)	<u>38,497</u>	<u>-</u>
Net change in fund balances	930,159	582,536
Fund balances beginning of year	<u>3,734,198</u>	<u>1,087,267</u>
Fund balances end of year	<u>\$ 4,664,357</u>	<u>1,669,803</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,459,850	-	421,679	11,441,171
-	-	-	149,108
86,494	4,940,039	79,696	10,424,897
19,100	4,355	-	45,255
1,600	-	25,669	1,067,973
-	1,440	2,012	90,910
3,870	54,646	85,254	594,686
2,570,914	5,000,480	614,310	23,814,000
-	-	25,663	4,004,824
-	-	-	2,652,571
-	-	-	2,895,774
268,077	-	47,467	1,119,994
452,620	5,408,939	-	5,861,559
2,593	-	1,895	749,897
-	-	-	2,406,804
-	-	-	175
-	-	439,720	443,520
3	1,795,075	118,000	2,579,032
723,293	7,204,014	632,745	22,714,150
1,847,621	(2,203,534)	(18,435)	1,099,850
-	8,672	-	21,069
-	2,026,874	-	2,234,874
(1,844,974)	-	(208,000)	(2,234,874)
-	-	208,000	208,000
(1,844,974)	2,035,546	-	229,069
2,647	(167,988)	(18,435)	1,328,919
576,458	699,130	442,883	6,539,936
579,105	531,142	424,448	7,868,855

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, 2010

Net change in fund balances - Total governmental funds (page 23) \$ 1,328,919

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	\$ 2,901,507	
Capital assets contributed by the Iowa Department of Transportation and others	1,257,175	
Depreciation expense	<u>(1,787,132)</u>	2,371,550

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. 2,052

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

Property tax	2,442	
Other	<u>314,986</u>	317,428

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

Issued	(208,000)	
Repaid	<u>434,882</u>	226,882

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(14,728)	
Other postemployment benefits	(116,832)	
Interest on long-term debt	<u>(1,151)</u>	(132,711)

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 assets of the Internal Service Fund is reported with governmental activities. 21,092

Change in net assets of governmental activities (page 17) \$ 4,135,212

See notes to financial statements.

Warren County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2010

	Internal Service - Fuel Station
Assets	
Accounts receivable	\$ 7,157
Due from other funds	23,419
Due from other governments	35,154
Inventories	33,201
Capital assets, net of accumulated depreciation of \$30,088	62,245
Total assets	161,176
Liabilities	
Accounts payable	88,083
Due to other funds	5,555
Due to other governments	27
Total liabilities	93,665
Net Assets	
Invested in capital assets	62,245
Unrestricted	5,266
Total net assets	\$ 67,511

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2010

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 275,444
Reimbursements from other governments		301,595
Fuel and other tax refunds		<u>24,077</u>
Total operating revenues		601,116
Operating expenses:		
Fuel	\$ 524,669	
State fuel and other taxes	31,820	
Clerical	2,095	
Utilities	800	
Depreciation	<u>7,795</u>	<u>567,179</u>
Operating income		33,937
Non-operating expenses:		
Loss on disposal of equipment		<u>(12,845)</u>
Net income		21,092
Net assets beginning of year		<u>46,419</u>
Net assets end of year		<u><u>\$ 67,511</u></u>

See notes to financial statements.

Warren County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2010

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 274,216
Cash received from other governments	290,376
Cash received from other operating receipts	24,077
Cash paid for personal services	(2,095)
Cash paid to suppliers	(489,052)
Net cash provided by operating activities	97,522
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	(33,954)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(63,568)
Net change in cash and cash equivalents	-
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ -
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 33,937
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,795
(Increase) in accounts receivable	(2,672)
(Increase) in due from other funds	(1,228)
(Increase) in due from other governments	(8,574)
(Increase) in inventories	(5,581)
Increase in accounts payable	73,780
Increase in due to other funds	38
Increase in due to other governments	27
Net cash provided by operating activities	\$ 97,522

See notes to financial statements.

Warren County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,581,756
Other County officials	128,201
Receivables:	
Property tax:	
Delinquent	162,539
Succeeding year	44,206,000
Accounts	62,963
Special assessments	2,083,000
Due from other governments	46,711
Total assets	<u>49,271,170</u>

Liabilities

Accounts payable	32,121
Salaries and benefits payable	7,570
Due to other governments	49,036,638
Trusts payable	168,418
Compensated absences	26,423
Total liabilities	<u>49,271,170</u>

Net assets \$ -

See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2010

(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. Warren 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 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 Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road 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 entities on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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

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

Due from 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, 2010, 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 Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused 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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, 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 Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets 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. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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 \$119,805 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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 611
	Rural Services	101
	Secondary Roads	641
	Internal Service:	
	Fuel Station	75
Special Revenue:		
Secondary Roads	General	1,948
	Special Revenue:	
	Rural Services	22,451
	Internal Service:	
	Fuel Station	5,480
County Recorder's Records		
Management	General	366
Resource Enhancement		
and Protection	General	162
Lacona Meal Site	General	282
Debt Service	General	1,203
Internal Service:		
Fuel Station	General	8,148
	Special Revenue:	
	Rural Services	41
	Secondary Roads	15,230
Total		\$ 56,739

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, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 208,000
Special Revenue: Secondary Roads	General	181,900
	Special Revenue: Rural Services	1,844,974
Total		<u>\$ 2,234,874</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 894,539	813,000	-	1,707,539
Construction in progress	1,478,192	1,857,266	2,292,460	1,042,998
Intangibles	97,211	-	-	97,211
Total capital assets not being depreciated	<u>2,469,942</u>	<u>2,670,266</u>	<u>2,292,460</u>	<u>2,847,748</u>
Capital assets being depreciated:				
Buildings	7,855,414	116,849	-	7,972,263
Improvements other than buildings	703,050	-	-	703,050
Equipment and vehicles	6,203,943	1,385,817	289,154	7,300,606
Equipment, internal service	89,462	63,568	60,697	92,333
Infrastructure, road network	35,875,311	2,292,460	-	38,167,771
Infrastructure, other	1,377,031	-	-	1,377,031
Total capital assets being depreciated	<u>52,104,211</u>	<u>3,858,694</u>	<u>349,851</u>	<u>55,613,054</u>
Less accumulated depreciation for:				
Buildings	2,864,369	246,340	-	3,110,709
Improvements other than buildings	23,477	19,188	-	42,665
Equipment and vehicles	4,317,931	647,235	276,956	4,688,210
Equipment, internal service	70,145	7,795	47,852	30,088
Infrastructure, road network	12,056,917	828,468	-	12,885,385
Infrastructure, other	367,209	45,901	-	413,110
Total accumulated depreciation	<u>19,700,048</u>	<u>1,794,927</u>	<u>324,808</u>	<u>21,170,167</u>
Total capital assets being depreciated, net	<u>32,404,163</u>	<u>2,063,767</u>	<u>25,043</u>	<u>34,442,887</u>
Governmental activities capital assets, net	<u>\$ 34,874,105</u>	<u>4,734,033</u>	<u>2,317,503</u>	<u>37,290,635</u>

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$97,211, which was previously reported as land, was reclassified as intangibles. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because the right of way has an indefinite useful life and, therefore, is not subject to amortization.

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 103,349
Physical health and social services		10,476
County environment and education		129,791
Roads and transportation		1,322,737
Administration		<u>220,779</u>
Total depreciation expense - governmental activities, excluding the Internal Service Fund		<u><u>\$ 1,787,132</u></u>
Depreciation expense charged to the Internal Service Fund		<u><u>\$ 7,795</u></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 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 18,896</u>
Special Revenue:		
Mental Health	Services	362,360
Secondary Roads	Services	<u>11,525</u>
		<u>373,885</u>
Total for governmental funds		<u><u>\$ 392,781</u></u>
Agency:		
County Assessor	Collections	\$ 725,061
Schools		30,025,891
Community Colleges		822,262
Corporations		12,742,517
Townships		505,979
Auto License and Use Tax		891,068
All other		<u>3,323,860</u>
Total for agency funds		<u><u>\$ 49,036,638</u></u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Bonds	General Obligation Notes	Capital Lease Purchase Agreements	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 420,000	-	33,814	638,701	136,176	1,228,691
Increases	-	208,000	-	667,223	166,432	1,041,655
Decreases	420,000	-	14,882	652,495	49,600	1,136,977
Balance end of year	\$ -	\$ 208,000	18,932	653,429	253,008	1,133,369
Due within one year	\$ -	17,165	12,312	424,303	-	453,780

General Obligation Notes

A summary of the County's June 30, 2010 general obligation note indebtedness is as follows:

Year Ending June 30,	Issued November 5, 2009			
	Interest Rates	Principal	Interest	Total
2011	4.125 - 4.25%	\$ 17,165	8,740	25,905
2012	4.125 - 4.25	17,886	8,019	25,905
2013	4.125 - 4.25	18,638	7,267	25,905
2014	4.125 - 4.25	19,421	6,484	25,905
2015	4.125 - 4.25	20,237	5,668	25,905
2016 - 2020	4.125 - 4.25	114,653	14,849	129,502
Total		\$ 208,000	51,027	259,027

During the year ended June 30, 2010, the County issued \$208,000 of general obligation capital loan notes and retired \$420,000 of general obligation bonds.

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements for 15 health monitors with an historical cost of \$54,348. The following is a schedule of the future minimum lease payments, including interest at 8.9% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2010:

Year ending June 30,	Health Monitors
2011	\$ 13,500
2012	6,793
Total minimum lease payments	20,293
Less amount representing interest	(1,361)
Present value of net minimum lease payments	\$ 18,932

Payments under capital lease purchase agreements, including the agreement for a bobcat which was paid off during the year, totaled \$17,284 for the year ended June 30, 2010.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$540,284, \$485,782 and \$459,065, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 170 active and 6 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 20 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 benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 166,232
Interest on net OPEB obligation	5,400
Adjustment to annual required contribution	<u>(5,200)</u>
Annual OPEB cost	166,432
Contributions made	<u>(49,600)</u>
Increase in net OPEB obligation	116,832
Net OPEB obligation beginning of year	<u>136,176</u>
Net OPEB obligation end of year	<u>\$ 253,008</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, 2010.

For the year ended June 30, 2010, the County contributed \$49,600 to the medical plan. Plan members eligible for benefits contributed \$42,493, or 46% 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 as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 166,432	29.8%	\$ 253,008

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,227,468, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,227,468. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,138,000 and the ratio of the UAAL to covered payroll was 17.2%. As of June 30, 2010, 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, 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, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9.5%. The ultimate health trend rate is 4.5%. The health trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,293 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member in 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 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$164,694.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of

whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(11) Joint Vehicle Fueling Facility

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

(12) Pending Litigation

The County is a defendant in lawsuits for which the probability and amount of loss, if any, is undeterminable.

Warren County

Required Supplementary Information

Warren County

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

Required Supplementary Information

Year ended June 30, 2010

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 11,443,582	-	11,443,582
Interest and penalty on property tax	149,350	-	149,350
Intergovernmental	10,523,481	-	10,523,481
Licenses and permits	44,695	-	44,695
Charges for service	1,066,245	-	1,066,245
Use of money and property	73,487	-	73,487
Miscellaneous	619,531	32,450	587,081
Total receipts	23,920,371	32,450	23,887,921
Disbursements:			
Public safety and legal services	4,048,468	-	4,048,468
Physical health and social services	2,796,624	-	2,796,624
Mental health	3,097,130	-	3,097,130
County environment and education	1,138,176	29,183	1,108,993
Roads and transportation	5,838,237	-	5,838,237
Governmental services to residents	766,907	-	766,907
Administration	2,517,362	-	2,517,362
Nonprogram	554	-	554
Debt service	443,520	-	443,520
Capital projects	2,492,776	-	2,492,776
Total disbursements	23,139,754	29,183	23,110,571
Excess (deficiency) of receipts over (under) disbursements	780,617	3,267	777,350
Other financing sources, net	225,115	-	225,115
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,005,732	3,267	1,002,465
Balance beginning of year	6,916,016	76,148	6,839,868
Balance end of year	\$ 7,921,748	79,415	7,842,333

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
11,445,296	11,445,296	(1,714)
139,800	139,800	9,550
10,844,634	11,553,191	(1,029,710)
46,800	46,800	(2,105)
1,065,540	1,101,300	(35,055)
161,260	80,460	(6,973)
355,057	486,057	101,024
<u>24,058,387</u>	<u>24,852,904</u>	<u>(964,983)</u>
4,243,286	4,243,286	194,818
2,982,807	2,996,737	200,113
4,151,453	3,148,803	51,673
1,057,782	1,157,542	48,549
6,652,098	6,752,098	913,861
784,197	801,281	34,374
2,570,733	2,597,291	79,929
10,000	10,000	9,446
443,505	443,521	1
1,826,768	3,052,781	560,005
<u>24,722,629</u>	<u>25,203,340</u>	<u>2,092,769</u>
(664,242)	(350,436)	1,127,786
<u>31,100</u>	<u>239,100</u>	<u>(13,985)</u>
(633,142)	(111,336)	1,113,801
<u>5,415,165</u>	<u>6,761,022</u>	<u>78,846</u>
<u>4,782,023</u>	<u>6,649,686</u>	<u>1,192,647</u>

Warren County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 23,920,371	(106,371)	23,814,000
Expenditures	23,139,754	(425,604)	22,714,150
Net	780,617	319,233	1,099,850
Other financing sources, net	225,115	-	229,069
Beginning fund balances	6,916,016	(376,080)	6,539,936
Ending fund balances	\$ 7,921,748	(56,847)	7,868,855

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 and the Internal Service and Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$480,711. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

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)
2009	Jul 1, 2008	-	\$ 1,227	1,227	0.00%	\$ 7,156	17.1%
2010	Jul 1, 2008	-	1,227	1,227	0.00%	7,138	17.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Warren County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Assets				
Cash and pooled investments	\$ 72,447	39,267	383	5,578
Due from other funds	366	162	-	-
Due from other governments	-	-	-	36
Total assets	\$ 72,813	39,429	383	5,614
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries payable	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	72,813	39,429	383	5,614
Capital projects fund	-	-	-	-
Total fund equity	72,813	39,429	383	5,614
Total liabilities and fund equity	\$ 72,813	39,429	383	5,614

See accompanying independent auditor's report.

Special Revenue								
Sheriff Forfeiture	Lacona Meal Site	County Attorney Court Fee	Friends of Conservation	Liberty Center	Debt Service	Capital Projects	Total	
57,344	53,042	81,105	79,415	1,269	12,589	6,494	408,933	
-	282	-	-	-	1,203	-	2,013	
10,000	-	4,842	-	-	-	-	14,878	
67,344	53,324	85,947	79,415	1,269	13,792	6,494	425,824	
-	-	-	-	705	-	-	705	
-	-	671	-	-	-	-	671	
-	-	671	-	705	-	-	1,376	
-	-	-	-	-	13,792	-	13,792	
67,344	53,324	85,276	79,415	564	-	-	404,162	
-	-	-	-	-	-	6,494	6,494	
67,344	53,324	85,276	79,415	564	13,792	6,494	424,448	
67,344	53,324	85,947	79,415	1,269	13,792	6,494	425,824	

Warren County

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

Year ended June 30, 2010

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee	Attorney Forfeiture
Revenues:				
Property and other county tax	\$	-	-	-
Intergovernmental	-	25,984	-	-
Charges for service	9,349	-	-	-
Use of money and property	365	162	-	-
Miscellaneous	-	-	-	6,109
Total revenues	<u>9,714</u>	<u>26,146</u>	<u>-</u>	<u>6,109</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	1,800
County environment and education	-	-	-	-
Governmental services to residents	1,895	-	-	-
Debt service	-	-	-	-
Capital projects	-	118,000	-	-
Total expenditures	<u>1,895</u>	<u>118,000</u>	<u>-</u>	<u>1,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,819</u>	<u>(91,854)</u>	<u>-</u>	<u>4,309</u>
Other financing sources (uses):				
Operating transfers out	-	-	-	-
General obligation notes issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>7,819</u>	<u>(91,854)</u>	<u>-</u>	<u>4,309</u>
Fund balances beginning of year	<u>64,994</u>	<u>131,283</u>	<u>383</u>	<u>1,305</u>
Fund balances end of year	<u>\$ 72,813</u>	<u>39,429</u>	<u>383</u>	<u>5,614</u>

See accompanying independent auditor's report.

Special Revenue								
Sheriff Forfeiture	Lacona Meal Site	County Attorney Court Fee	Friends of Conservation	Liberty Center	Debt Service	Capital Projects	Total	
-	-	-	-	-	421,679	-	421,679	
-	-	31,109	-	-	13,711	8,892	79,696	
-	-	-	-	16,320	-	-	25,669	
-	282	-	-	-	1,203	-	2,012	
43,184	-	-	32,450	71	-	3,440	85,254	
43,184	282	31,109	32,450	16,391	436,593	12,332	614,310	
7,489	-	16,374	-	-	-	-	25,663	
-	-	-	29,183	18,284	-	-	47,467	
-	-	-	-	-	-	-	1,895	
-	-	-	-	-	439,720	-	439,720	
-	-	-	-	-	-	-	118,000	
7,489	-	16,374	29,183	18,284	439,720	-	632,745	
35,695	282	14,735	3,267	(1,893)	(3,127)	12,332	(18,435)	
-	-	-	-	-	-	(208,000)	(208,000)	
-	-	-	-	-	-	208,000	208,000	
-	-	-	-	-	-	-	-	
35,695	282	14,735	3,267	(1,893)	(3,127)	12,332	(18,435)	
31,649	53,042	70,541	76,148	2,457	16,919	(5,838)	442,883	
67,344	53,324	85,276	79,415	564	13,792	6,494	424,448	

Warren County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,018	274,648	322,888
Other County officials	128,201	-	-	-
Receivables:				
Property tax:				
Delinquent	-	312	1,804	103,003
Succeeding year	-	89,000	463,000	29,600,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 128,201	90,330	739,452	30,025,891
Liabilities				
Accounts payable	\$ -	-	425	-
Salaries and benefits payable	-	-	3,734	-
Due to other governments	43,415	90,330	725,061	30,025,891
Trusts payable	84,786	-	-	-
Compensated absences	-	-	10,232	-
Total liabilities	\$ 128,201	90,330	739,452	30,025,891

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
9,376	142,983	6,357	891,068	933,418	2,581,756
-	-	-	-	-	128,201
2,886	52,534	1,622	-	378	162,539
810,000	12,547,000	498,000	-	199,000	44,206,000
-	-	-	-	62,963	62,963
-	-	-	-	2,083,000	2,083,000
-	-	-	-	46,711	46,711
822,262	12,742,517	505,979	891,068	3,325,470	49,271,170
-	-	-	-	31,696	32,121
-	-	-	-	3,836	7,570
822,262	12,742,517	505,979	891,068	3,190,115	49,036,638
-	-	-	-	83,632	168,418
-	-	-	-	16,191	26,423
822,262	12,742,517	505,979	891,068	3,325,470	49,271,170

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 102,030	88,594	684,294	28,240,395
Additions:				
Property and other county tax	-	91,884	476,321	30,647,234
E911 surcharge	-	-	-	-
State tax credits	-	3,035	17,476	956,095
Drivers license fees	-	-	-	-
Office fees and collections	859,401	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	783,977	-	-	-
Miscellaneous	-	-	30,586	-
Total additions	1,643,378	94,919	524,383	31,603,329
Deductions:				
Agency remittances:				
To other funds	445,105	-	-	-
To other governments	398,429	93,183	469,225	29,817,833
Trusts paid out	773,673	-	-	-
Total deductions	1,617,207	93,183	469,225	29,817,833
Balances end of year	\$ 128,201	90,330	739,452	30,025,891

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
811,890	11,922,294	496,452	892,913	2,057,407	45,296,269
840,233	12,966,918	518,094	-	210,308	45,750,992
-	-	-	-	243,344	243,344
27,964	333,434	17,688	-	9,593	1,365,285
-	-	-	107,786	-	107,786
-	-	-	-	-	859,401
-	-	-	10,848,163	-	10,848,163
-	-	-	-	1,408,137	1,408,137
-	-	-	-	1,235,305	2,019,282
-	-	-	-	826,766	857,352
868,197	13,300,352	535,782	10,955,949	3,933,453	63,459,742
-	-	-	458,493	-	903,598
857,825	12,480,129	526,255	10,499,301	1,419,556	56,561,736
-	-	-	-	1,245,834	2,019,507
857,825	12,480,129	526,255	10,957,794	2,665,390	59,484,841
822,262	12,742,517	505,979	891,068	3,325,470	49,271,170

Warren County

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

For the Last Ten Years

	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 11,441,171	11,453,420	10,856,199	10,012,217
Interest and penalty on property tax	149,108	142,432	150,009	134,630
Intergovernmental	10,424,897	9,863,840	7,226,199	7,991,557
Licenses and permits	45,255	53,085	56,375	72,145
Charges for service	1,067,973	1,088,935	1,117,378	1,053,691
Use of money and property	90,910	138,804	364,291	448,356
Miscellaneous	594,686	528,665	469,577	409,063
Total	\$ 23,814,000	23,269,181	20,240,028	20,121,659
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,004,824	3,989,306	3,948,411	3,728,866
Physical health and social services	2,652,571	2,494,732	2,421,017	2,377,752
Mental health	2,895,774	2,756,204	2,951,364	2,743,476
County environment and education	1,119,994	1,183,451	959,022	935,270
Roads and transportation	5,861,559	5,577,710	5,905,350	5,270,656
Governmental services to residents	749,897	767,527	644,439	618,230
Administration	2,406,804	2,595,841	2,252,355	2,149,060
Non-program	175	6,131	12,804	3,289
Debt service	443,520	516,944	554,828	658,125
Capital projects	2,579,032	1,613,199	643,925	883,407
Total	\$ 22,714,150	21,501,045	20,293,515	19,368,131

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
9,039,256	8,744,970	7,622,726	7,349,911	6,928,811	6,691,491
129,981	118,383	116,564	108,385	113,333	105,104
7,112,383	6,127,442	6,520,945	6,613,117	6,994,414	6,316,292
88,350	103,448	89,430	82,103	88,101	73,116
1,137,039	1,030,308	1,059,635	1,016,699	992,117	895,048
285,375	154,853	113,016	166,901	283,568	515,158
502,144	633,937	521,659	535,449	359,014	554,778
18,294,528	16,913,341	16,043,975	15,872,565	15,759,358	15,150,987
3,674,865	3,988,525	3,198,521	3,096,633	3,130,057	2,619,902
2,054,666	1,792,350	1,745,733	1,638,876	1,717,513	1,621,645
2,713,918	2,634,837	2,275,267	2,338,950	2,503,407	2,408,904
804,023	841,841	703,017	637,735	701,880	737,095
4,925,412	4,759,210	4,522,201	4,434,541	4,469,042	3,970,136
897,476	575,169	514,115	504,071	508,399	534,893
2,049,422	1,866,473	1,759,019	1,699,790	1,576,445	1,536,685
-	80,000	-	-	-	-
765,977	496,495	437,248	519,787	521,130	521,785
479,805	1,057,685	1,418,113	965,699	1,576,974	1,337,019
18,365,564	18,092,585	16,573,234	15,836,082	16,704,847	15,288,064

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 8,892</u>
U.S. Department of Energy:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-RW0000192	<u>116,849</u>
Total direct			<u>125,741</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Marion County Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>23,636</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>16,153</u>
U.S. Fish and Wildlife:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623		<u>180,000</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-09, VA-10	<u>28,687</u>
Violence Against Women Formula Grants	16.588	VW-09, VW-10	<u>24,090</u>
Governor's Office of Drug Control Policy:			
Polk County Sheriff:			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2009-SB-B9-2717	<u>16,423</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C091(62)-8J-91	16,119
Highway Planning and Construction	20.205	BROS-C091(74)-8J-91	567,496
Highway Planning and Construction	20.205	BROS-C091(73)-8J-91	29,386
Highway Planning and Construction	20.205	BROS-C091(76)-8J-91	21,939
			<u>634,940</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	10-410, Task 78	<u>8,113</u>

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		<u>33,639</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5889BT91	<u>154,788</u>
Immunization Grants	93.268	5880I477	<u>4,754</u>
ARRA - Immunization	93.712	5880I477	<u>3,657</u>
Iowa Department of Elder Affairs:			
Aging Resources of Central Iowa:			
Aging Cluster Programs:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		62,990
ARRA - Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		<u>6,683</u>
			<u>69,673</u>
Nutrition Services Incentive Program	93.053		<u>41,281</u> *
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>8,366</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>46</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>4,235</u>
Foster Care - Title IV-E	93.658		<u>8,705</u>
Adoption Assistance	93.659		<u>2,163</u>
Social Services Block Grant	93.667		<u>8,607</u>
Social Services Block Grant	93.667		<u>111,050</u>
			<u>119,657</u>
Children's Health Insurance Program	93.767		<u>99</u>
Medical Assistance Program	93.778		<u>18,326</u>

Schedule 6

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Pilot Demonstration or Earmarked Projects	97.001	2008-EO-T8-0015	<u>90,770</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1763	<u>1,364,125</u>
Emergency Management Performance Grants	97.042		<u>35,654</u>
Total indirect			<u>2,891,980</u>
Total			<u>\$ 3,017,721</u>

* Includes \$22,334 of non-cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren County and is presented on the modified accrual basis of accounting. The information on 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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Warren County:

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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Warren County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 through II-J-10 to be significant deficiencies.

Compliance and Other Matters

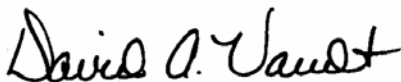
As part of obtaining reasonable assurance about whether Warren County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that 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, 2010 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.

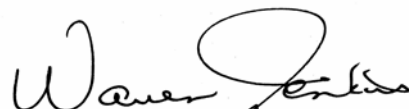
Warren County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Warren County's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2010

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Warren County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Warren County:

Compliance

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 each of its major federal programs for the year ended June 30, 2010. Warren County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on Warren County's compliance with those requirements.

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

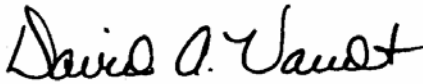
Internal Control Over Compliance

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

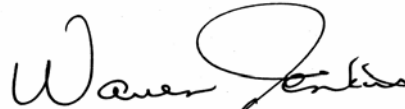
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 20, 2010

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

- (a) Unqualified 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 programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each 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) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

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Year ended June 30, 2010

- | | |
|---|---|
| (6) Daily cash reconciliations are not reviewed and approved by an independent person for propriety. | Treasurer |
| (7) Checks are not restrictively endorsed upon receipt by the mail opener. | Sheriff, Emergency Management/E911 |
| (8) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts. | Environmental Health, MH/DD Community Services, Emergency Management/E911 |
| (9) Undeposited cash receipts are not properly protected to secure against loss. | Emergency Management/E911 |

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

Responses –

- (a) Zoning – We have two employees, both honest. We try to check each other's work for deposits.
- (b) Sheriff – We will review procedures and try to have additional oversight.
- (c) Congregate Meals – This is a one person office. Segregation is not possible.
- (d) Engineer – Financial transactions, reconciliations and reports are prepared by the key administrative support person. A part time administrative support person will be trained in the near future to review prepared documents to ensure the maximum internal control possible.
- (e) Recorder – Since we do operate with a small office staff, we try to accomplish controls as much as we can. We will try to implement the suggestions for improving office operations.
- (f) MH/DD Community Services – Additional staff would enable review of receipts. We will try to have another staff reconcile the initial listing.
- (g) Environmental Health – Segregation of duties is difficult with small staff.
- (h) Conservation – Staff limitations keep us from meeting these concerns.
- (i) Friends of Warren County Conservation – Limited staff limits our segregation of duties. We are now preparing bank reconciliations.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- (j) Treasurer – All employees are authorized to make entries to the accounting records. The Treasurer will start daily cash reconciliation reviews.
- (k) Emergency Management/E911 – Due to the limited number of employees in each agency, it is not logistically possible to realize segregation of duties. I will purchase a stamp, to be used upon immediate opening of mail, which marks all revenue “For deposit only”.

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

II-B-10 Financial Reporting – The following financial reporting errors were noted:

Contract Overpayment - Engineer – During the audit, we identified a material overpayment of \$70,757 to a contractor which had been recorded in the County’s financial statements. The County subsequently contacted the contractor to recover the overpayment. Adjustments were made to properly include this amount as a receivable in the financial statements.

Sheriff Law Enforcement Contracts – During the audit, we identified \$50,170 of law enforcement contract receivables not recorded in the County’s financial statements.

Recommendation – The County should implement procedures to monitor contract payments to prevent overpayments and should establish procedures to ensure all receivables are identified and included in the County’s financial statements.

Responses:

Engineer – The contractor paid the County for the overpayment. Additional review of documents by other key personnel will increase the prevention of overpayments.

Sheriff – Most of these are year end, and we try to indicate the appropriate fiscal year when received and deposited.

Conclusion – Responses accepted.

II-C-10 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 continue to work on this.

Conclusion – Response acknowledged. A current trust listing should be prepared and reconciled monthly.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-D-10 Sheriff Jail Commissary – One individual collects, deposits and records receipts for the Jail Commissary. Jail Commissary deposits are not made timely. The listing of inmate receipts received 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 done via Microsoft Money are not printed out and maintained. 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. Checks outstanding for over two years were not investigated and written off.

Recommendation – The County should deposit all receipts timely and review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, bank reconciliations should be printed and reviewed monthly by an independent person for propriety. Inmate ledgers should be reconciled to deposits to ensure funds are properly recorded. Unused checks and signature stamps should be properly safeguarded. Checks outstanding for over two years should be investigated and written off, if appropriate.

Response – Staff has requested someone independent review and approve commissary work.

Conclusion – Response acknowledged. Deposits should be made more timely than bi-annually, such as weekly. Unused checks and signature stamps should be properly safeguarded. Checks outstanding over two years should be investigated and written off, if appropriate.

II-E-10 Sheriff Cash Bonds – Receipts were not issued for one of two cash bonds tested.

Recommendation – The County should issue receipts for all cash bond collections.

Response – We are working to improve this procedure.

Conclusion – Response accepted.

II-F-10 Public Health Nurse – Reconciliations of nursing service billings and collections were not prepared each month.

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

Response – With limited personnel and budget constraints, we rely on our software to account for receivables along with a manual reconciliation of those receivables not included in the software.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- II-G-10 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2010.

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

Response – An increase in the rate per gallon charged to other entities was made in order to recoup the cost of improvements made and to eliminate any real deficits. Some of the deficit is born by the fact that incoming fuel is paid for several months prior to invoicing and receiving payment from other entities using the fuel system.

Conclusion – Response accepted.

- II-H-10 Capital Assets – A physical observation of capital assets was not performed during the year ended June 30, 2010 in accordance with the County's policy.

Recommendation – Capital assets should be inspected periodically by an employee having no responsibility for the assets.

Response – Capital assets will be physically inspected by an independent person not responsible for those assets. These inspections will be performed annually on a rotating basis by department.

Conclusion – Response accepted.

- II-I-10 Travel Claims – Certain travel claims were supported only by credit card receipts and were not accompanied by itemized vendor receipts. The County's policy requires original receipts to support expenses, but does not require itemized receipts.

Recommendation – The Board should establish policies requiring itemized receipts to support travel claims.

Response – The Board will review its current policy and revise it as deemed necessary. Itemized receipts will be required for reimbursement.

Conclusion – Response accepted.

- II-J-10 Gas Card Policy and Controls – The County does not have written policies and procedures over the controls of gas cards issued to clients in the decategorization program. Gas cards are purchased in bulk and maintained in a safe. Clients must sign a "Gift Card Approval and Tracking Form". However, no one compares the cards in inventory to the "Gift Card Approval and Tracking Form" to account for the gas cards held by the County.

Recommendation – The County should develop policies and procedures to account for gas cards.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The County is working with DHS employees to develop a policy and establish proper controls over gas cards.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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 programs were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments Supplies for Attorney’s office	\$ 6,107 47

The transactions with Mary Taylor for supplies for various County departments do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since her remuneration of employment is not directly affected as a result of the contracts and her duties of employment do not directly involve the procurement or preparation of any part of the contracts. The transaction for the County Attorney’s office supplies does not appear to represent a conflict of interest in accordance with Chapter 331.342(10) of the Code of Iowa since total transactions are less than \$1,500.

IV-E-10 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-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 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-10 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).

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- IV-I-10 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, 2010 for the County Extension Office did not exceed the amount budgeted.

- IV-J-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

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

Response – We have asked the bank to provide this information. We will request again.

Conclusion – Response accepted.

- IV-K-10 Sheriff 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 be establishing a new account for this.

Conclusion – Response acknowledged. The D.A.R.E. account activity should be remitted to the County Treasurer for proper inclusion in the County's budget and financial records.

Warren County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Tiffany M. Ainger, Staff Auditor
Tracey L. Gerrish, Staff Auditor
Jenny M. Podrebarac, Staff Auditor
Lynne A. Westlund, Audit Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State