

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 29, 2013

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

The County had local tax revenue of \$37,873,539 for the year ended June 30, 2012, which included \$1,272,971 in tax credits from the state. The County forwarded \$29,997,752 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,875,787 of the local tax revenue to finance County operations, a 4% increase over the prior year. Other revenues included charges for service of \$4,725,214, operating grants, contributions and restricted interest of \$6,056,066, capital grants, contributions and restricted interest of \$370,017, local option sales tax of \$868,967, unrestricted investment earnings of \$117,152 and other general revenues of \$290,527.

Expenses for County operations totaled \$19,617,939, a less than 1% decrease from the prior year. Expenses included \$6,787,600 for roads and transportation, \$2,995,902 for public safety and legal services and \$2,475,656 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/1210-0008-B00F.pdf>.

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

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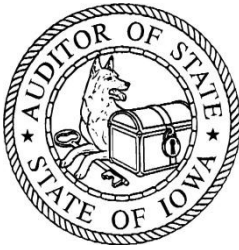
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Boone County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Foster	Board of Supervisors	Jan 2013
William Lusher	Board of Supervisors	Jan 2013
Steve Duffy	Board of Supervisors	Jan 2015
Philippe Meier	County Auditor	Jan 2013
Darcy Bosch	County Treasurer	Jan 2015
Sheryl Thul	County Recorder	Jan 2015
Ronald Fehr	County Sheriff	Jan 2013
Jim Robbins	County Attorney	Jan 2015
D. Kevin Burggraaf	County Assessor	(Resigned)
Paul Overton (Appointed)	County Assessor	Jan 2016

Boone County



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Independent Auditor's Report

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Boone 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.

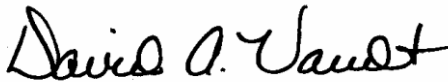
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2013 on our consideration of Boone County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

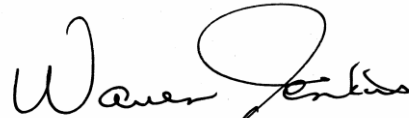
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 19 and 56 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally

accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone 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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone County provides this Management's Discussion and Analysis of the Boone County fiscal year (FY) 2012 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped this section will assist readers in understanding the events that significantly affected the financial position of Boone County as a whole.

This is the tenth year Boone County has reported all activities on a full accrual basis, as required by the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34. This year's financial information is compared to FY2011 information.

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

- Boone County's governmental activities revenues decreased \$3,225,199, or 15.5%, compared to FY2011. Taxes levied on property increased \$240,032, or 3.2%, over FY2011.
- Boone County's governmental activities expenses decreased \$113,080, or 0.6%, compared to FY2011.
- Boone County's net assets increased \$685,791 over FY2011, or approximately 1.5%.

USING THIS ANNUAL REPORT

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required and supplementary information. The financial statements include two kinds of statements which present different views of Boone County.

- The first two statements are government-wide financial statements which provide both short-term and long-term information about Boone County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of Boone County, reporting Boone County's operations in more detail than the government-wide financial statements.
- The governmental fund financial statements explain how basic services, such as public safety, mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Proprietary fund financial statements offer short term and long term financial information about activities Boone County operates like a business. In Boone County, the landfill operations and ground water tax are the only enterprises reported as proprietary funds.
- Fiduciary fund financial statements provide information about financial relationships for which Boone County acts solely as a trustee or agent to benefit others. Examples of these funds include Empowerment Funds, Emergency Management Funds and tax funds collected and distributed to schools, cities and other taxing authorities.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information which further explains and supports the financial statements with a comparison of Boone County's budget for FY2012, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan. Supplementary information provides detailed information about nonmajor governmental funds and Agency Funds.

REPORTING THE COUNTY AS A WHOLE

Government-wide Financial Statements

The government-wide financial statements report information about Boone County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of Boone County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash was received or paid.

The two government-wide financial statements report Boone County's net assets and how they have changed. Net assets - the difference between Boone County's assets and liabilities - are one way to measure Boone County's financial health or position.

- Over time, increases or decreases in Boone County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Boone County's overall financial health, readers need to consider Boone County's property tax base and the condition of its buildings and other facilities.

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

- Governmental activities: Boone County's basic services are included here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities.
- Business type activities: The Boone County Landfill charges fees to cover the services it provides. The Boone County Landfill's financial information is presented here.

Fund Financial Statements

The fund financial statements provide more detailed information about Boone County's funds, focusing on its most significant or "major" funds - not Boone County as a whole. Funds are accounting devices Boone County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
- Boone County establishes other funds to control and manage money for particular purposes or to show it is properly using certain revenues, such as federal grants.

Boone County has three types of funds:

1) Governmental Funds: Most of Boone County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets which can readily be converted to cash flow in and out and 2) the balances left over at year-end that are available to provide future spending. Consequently, the governmental funds statements provide a

detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Boone County's programs. Because this information does not encompass the additional long term focus of the government-wide statements, additional information in Exhibit D and Exhibit F explain the relationship or differences between the two statements. Boone County's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

2) Proprietary Funds: Boone County's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. Boone County has two enterprise funds, the Landfill Operations Fund and the Ground Water Tax Fund.

3) Fiduciary Funds: Boone County is the trustee, or fiduciary, for assets belonging to others, such as Trustee Drainage Districts, Emergency Management Services, County Assessor, Empowerment and all the funds necessary to collect and distribute property tax to schools, cities and other taxing authorities. Boone County is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Boone County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability for amounts due to other governments and, therefore, the fiduciary funds do not report a fund balance.

BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Boone County's net assets for FY2012 totaled \$46,215,947. Net assets on June 30, 2011 were \$45,530,156. Net assets increased 1.5% as a result of FY2012 Boone County operations.

	Governmental		Business Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 16,849,549	14,817,493	5,253,913	4,331,252	22,103,462	19,148,745
Capital assets	39,292,338	39,770,987	3,301,635	2,742,131	42,593,973	42,513,118
Total assets	56,141,887	54,588,480	8,555,548	7,073,383	64,697,435	61,661,863
Long-term liabilities	6,055,515	4,979,618	3,377,805	2,441,223	9,433,320	7,420,841
Other liabilities	8,910,467	8,617,891	137,701	92,975	9,048,168	8,710,866
Total liabilities	14,965,982	13,597,509	3,515,506	2,534,198	18,481,488	16,131,707
Net assets:						
Invested in capital assets, net of related debt	36,075,983	36,093,972	2,438,749	2,742,131	38,514,732	38,836,103
Restricted	4,835,990	4,438,974	945,686	950,877	5,781,676	5,389,851
Unrestricted	263,932	458,025	1,655,607	846,177	1,919,539	1,304,202
Total net assets	\$ 41,175,905	40,990,971	5,040,042	4,539,185	46,215,947	45,530,156

Net assets increased \$685,791 compared to FY2011. The largest portion of Boone County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The major increase this year is due to completion of Secondary Roads construction projects. The debt related to the investment in capital assets is liquidated with resources other than capital assets since they are unavailable for spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net assets, the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements, is \$1,919,539. Unrestricted net assets increased \$615,337 as a result of FY2012 operations.

The following table entitled “Changes in Net Assets of Boone County Activities” compares the changes in activity in greater detail. Looking at the County as a whole, readers will note revenues decreased approximately 11.4% and expenses decreased approximately 0.5%. Revenues of the County as a whole decreased \$2,619,753 compared to FY2011. Operating grants decreased \$205,085 and capital grants decreased \$3,389,415, which represents FEMA grants for flood related repairs in FY 2011. Charges for service increased 21.4%, property tax related revenue increased 2.9%, local option sales tax revenue increased 4.2% and other revenue decreased 22.7% compared to FY2011. A look at expenses by function reveals public safety expenses decreased 0.8%, physical health and social services expenses decreased 14.8%, mental health expenses increased 0.7%, county environment and education expenses decreased 27.6% due to finishing a culvert repair on the high trestle trail started during FY 2011, which was partially offset by FEMA grants, roads and transportation expenses increased 10.7% due to more construction projects, governmental services to residents expenses decreased 1.0%, administration expenses increased 0.1%, interest on long term debt increased 36.2% due to financing the CIE loan guarantee and solid waste expenses increased 1.1% compared to FY2011.

Changes in Net Assets of Boone County Activities						
	Governmental		Business Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for service	\$ 2,058,670	1,835,229	2,666,544	2,058,600	4,725,214	3,893,829
Operating grants, contributions and restricted interest	6,036,714	6,223,277	19,352	37,874	6,056,066	6,261,151
Capital grants, contributions and restricted interest	370,017	3,759,432	-	-	370,017	3,759,432
General revenues:						
Property tax - general purposes	6,983,350	6,699,858	-	-	6,983,350	6,699,858
Property tax - debt service	560,866	583,071	-	-	560,866	583,071
Tax increment financing	73,643	66,419	-	-	73,643	66,419
Penalty and interest on property tax	95,090	144,594	-	-	95,090	144,594
State tax credits	257,928	251,692	-	-	257,928	251,692
Local option sales tax	868,967	833,991	-	-	868,967	833,991
Grants and contributions not restricted to specific purposes	106,554	93,220	-	-	106,554	93,220
Unrestricted investment earnings	91,257	101,030	25,895	7,371	117,152	108,401
Gain on disposition of capital assets	11,186	163,881	-	-	11,186	163,881
Miscellaneous	77,697	61,444	-	2,500	77,697	63,944
Total revenues	17,591,939	20,817,138	2,711,791	2,106,345	20,303,730	22,923,483
Program expenses:						
Public safety and legal services	2,995,902	3,020,269	-	-	2,995,902	3,020,269
Physical health and social services	631,224	741,284	-	-	631,224	741,284
Mental health	2,475,656	2,457,648	-	-	2,475,656	2,457,648
County environment and education	1,880,318	2,595,672	-	-	1,880,318	2,595,672
Roads and transportation	6,787,600	6,133,641	-	-	6,787,600	6,133,641
Governmental services to residents	541,159	546,502	-	-	541,159	546,502
Administration	1,841,529	1,838,819	-	-	1,841,529	1,838,819
Interest on long-term debt	253,617	186,250	-	-	253,617	186,250
Solid waste	-	-	2,210,934	2,187,315	2,210,934	2,187,315
Total expenses	17,407,005	17,520,085	2,210,934	2,187,315	19,617,939	19,707,400
Change in net assets	184,934	3,297,053	500,857	(80,970)	685,791	3,216,083
Net assets beginning of year	40,990,971	37,693,918	4,539,185	4,620,155	45,530,156	42,314,073
Net assets end of year	\$ 41,175,905	40,990,971	5,040,042	4,539,185	46,215,947	45,530,156

The amounts reported for governmental activities in the Governmental Funds Balance Sheet are different than the Statement of Net Assets because:

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	
Total Governmental Fund Balances	\$ 7,655,184
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 \$67,964,306 and the accumulated depreciation is \$28,671,968.	39,292,338
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	382,959
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(6,154,576)</u>
Net Assets of Governmental Activities	<u>\$ 41,175,905</u>

The County-wide taxable valuation increased approximately 1.9% and the County's rural taxable valuation increased approximately 3.6%. The budgetary requirements of the County for county-wide purposes allowed the county-wide rate levy rate to remain at \$5.21405, which was the levy rate for FY 2011. The total increase in dollars levied County-wide increased 0.3%, or \$17,329.

The rural levy rate was increased by \$0.10 to \$2.48183 per \$1,000 of valuation after it was lowered by \$0.10 in FY 2010 to lower the Rural Services Fund carryover to the County's goal of \$425,000 to \$450,000 which was reached in FY 2011. This action and the increased valuation caused approximately \$132,000 of additional property tax to be collected from rural county taxpayers.

A relatively stagnant property tax base has the potential of putting a governmental entity in financial harm as revenues may not be sufficient to offset the cost of government inflation. Boone County was fortunate to be able to levy enough property tax to remain stable and maintain the essential services County residents expect and deserve. See the detail on property tax in the following table:

	Property Tax Levied	
	FY2012	FY2011
County-wide taxable valuation	\$ 1,145,940,540	1,124,628,031
County-wide levy rate without debt	4.72133	4.69356
Dollars levied without debt	5,410,363	5,278,500
County-wide taxable debt service valuation	1,194,836,945	1,158,219,106
County debt service levy rate	0.48419	0.52049
Dollars levied for debt service	578,530	602,844
Total county-wide rate	5.21405	5.21405
Total dollars levied county-wide	5,988,893	5,881,344
Rural taxable valuation	722,483,295	697,194,361
Rural tax levy rate	2.48183	2.38183
Dollars levied rural area only	1,793,081	1,660,598
Total dollars levied	7,781,974	7,541,942

Governmental Activities

This is the tenth year Boone County has prepared financial statements on a full accrual basis. Management will analyze and compare revenues and expenses detailing percentage increases or decreases and explain the reasons they occurred.

- Revenues for governmental activities were approximately \$17.6 million in FY2012, which is a 15.5% decrease compared to FY2011. Expenses for governmental activities totaled approximately \$17.4 million, a decrease of 0.6% compared to FY2011. In a difficult budgeting year, Boone County did a remarkable job trimming expenses to match available revenues, noting the County's net assets from governmental operations ended the year at approximately \$41.2 million, a less than 1% increase over FY 2011.
- The local option sales tax revenue of \$868,967 contributed greatly to the increase in net assets of the governmental activities. Boone County uses 75% of the local option sales tax revenue to reduce property tax in the Special Revenue, Rural Services Fund. The remaining 25% of the local option sales tax is spent for community betterment projects throughout the County. The revenue received from local option sales tax increased 4.2% compared to FY2011. The County believes the local option sales tax revenue indicates the relative economic strength of the local business economy, which reflects an upturn in the local economy compared to last year.

Net Cost of Governmental Activities

Function	Expenses	Program Revenues			FY2012 Net Expense or (Revenue)	FY2011 Net Expense or (Revenue)
		Charges for Service	Operating and Capital Grants and Contributions			
Public safety and legal services	\$ 2,995,902	617,964	417,657	1,960,281	2,225,838	
Physical health and social services	631,224	136,972	1,139,860	(645,608)	508,761	
Mental health	2,475,656	122,959	1,713,854	638,843	683,633	
County environment and education	1,880,318	318,670	13,536	1,548,112	(615,837)	
Roads and transportation	6,787,600	358,247	3,110,304	3,319,049	675,342	
Governmental services to residents	541,159	474,631	5,710	60,818	216,155	
Administration	1,841,529	29,227	5,810	1,806,492	1,822,005	
Interest on long-term debt	253,617	-	-	253,617	186,250	
Total	\$ 17,407,005	2,058,670	6,406,731	8,941,604	5,702,147	

- The cost of all governmental activities this year was approximately \$17.4 million, a decrease of approximately \$113,000, or less than 1% from FY2011.
- The portion of the cost financed by users of Boone County programs from charges for service was approximately \$2.1 million, increasing \$223,441, or 12.2 %, compared to FY2011.
- The federal and state governments and private contributors subsidized certain programs with operating and capital grants and contributions totaling approximately \$6.4 million, down 35.8% compared to FY2011. FEMA projects for the bike trail and secondary roads are reasons for the decrease compared to FY2011 when the County sustained moderate flood damages.
- The net cost of governmental activities was financed with general revenues, including property tax related revenue of \$7,970,877, local option sales tax of \$868,967, unrestricted grants and contributions of \$106,554, unrestricted investment earnings of \$91,257, gain on disposition of capital assets of \$11,186 and other miscellaneous revenue of \$77,697. Total general revenues for FY2012 were \$9,126,538, up \$127,338, or 1.4 %, compared to FY2011.

Business Type Activities

Function	Expenses	Program Revenues		FY2012 Net Expense or (Revenue)	FY2011 Net Expense or (Revenue)
		Charges for Service	Operating and Capital Grants and Contributions		
Solid waste	\$ 2,210,934	2,666,544	19,352	(474,962)	90,841

Program revenues of the Boone County Landfill increased 28.1% to \$2,685,896 when compared to FY2011, mainly because of the closing of the Ames/Story Construction and Demolition Landfill and the refuse being diverted to the Boone County Landfill. Program revenues were approximately \$589,000 more than FY2011. Expenses increased 1.1% to approximately \$2.2 million. The County Landfill is Boone County's only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources Ground Water Tax (local share) and interest income.

- During FY2012, the Boone County Landfill implemented a new system for managing waste. The new system uses a low speed, high torque mobile grinder and a separate grapple equipped excavator to achieve maximum density of landfilled waste. The new system, the first of its type in Iowa, will help extend the capacity of the landfill and offers a new opportunity to reclaim metals. The system was implemented in April of 2012.
- Keep Boone County Beautiful (KBCB) continued to offer assistance to area cleanup activities. It again hosted the Dragoon River Romp and Keep Boone County Scenic events.
- The Don Williams Lake Watershed Improvement Project was completed and submitted to the Iowa Department of Natural Resources in 2011. The IDNR forwarded the plan to the U.S. Environmental Protection Agency (EPA). The EPA approved the plan on January 12, 2012. Landfill and KBCB staff were involved in the public education components of the project and serve as webmaster for the projects web page, hosted on the County's system.
- Commencing on July 1, 2011, the Boone County Landfill became the sole landfill in the Central Iowa Waste Management Association (CIWMA). This followed the closure of the Ames/Story C&D Landfill. The tonnage of construction and demolition waste from Story County exceeded staff estimates during FY2012. This waste stream is charged a rate twice the rate paid by customers from the Landfill's primary service area.
- The Landfill's comprehensive planning area received approval of its 2009 plan update in February 2010. The IDNR calculated the planning area's landfill waste diversion rate at 55%. The planning area is one of two in the state which exceeds the State of Iowa's 50% diversion goal.

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Boone County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The financial performance of Boone County as a whole is reflected in its governmental funds, as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$7,655,184, 38% more than last year's total of \$5,545,561.

General Fund

General Fund		
	FY2012	FY2011
Beginning fund balance	\$ 1,621,897	1,918,754
Property tax, including penalty and interest	4,474,956	4,345,356
Local option sales tax	217,742	203,498
Intergovernmental	1,616,594	1,418,185
Permits and charges for service	906,266	943,557
Interest and use of property	207,426	147,635
Miscellaneous	179,014	61,436
Sale of capital assets	29,265	24,733
Total revenues	7,631,263	7,144,400
Public safety and legal services	2,939,568	3,021,368
Physical health and social services	630,996	740,042
County environment and education	1,176,239	1,387,417
Governmental services to residents	535,914	552,157
Administration	1,560,273	1,663,071
Capital projects	551,250	77,202
Total expenditures and transfers	7,394,240	7,441,257
Ending fund balance	\$ 1,858,920	1,621,897

The amounts presented combine the general basic, general supplemental, FEMA sub-fund for culvert repair, Central Iowa Expo (CIE) road sub-fund to administer Iowa Department of Transportation (IDOT) funding for experimental project on the CIE road system, county farm land sale proceeds and conservation land acquisition funds.

Total property tax revenue increased 3.0%. Local option sales tax revenue increased 7.0% and intergovernmental revenue increased 14.0%, reflecting FEMA revenue for culvert repair and IDOT funding for CIE streets. Revenue from user fees decreased 4.0% and interest and use of property increased 40.5% due to renting additional jail space to neighboring counties. Total revenues increased 6.8% compared to FY2011.

Total expenditures decreased less than 1%, or \$47,017, compared to FY2011. Overall expenditures were stable compared to FY2011 after increasing 18.7% in FY2011 compared to FY2010.

The General fund ending balance is 25.1% of total expenditures for FY2012 compared to 21.8% in FY2011.

Special Revenue Funds

Mental Health Fund		
	FY2012	FY2011
Beginning fund balance	\$ 746,495	508,799
Property tax	841,434	838,625
Intergovernmental - property tax relief	683,086	684,828
Other intergovernmental	1,245,258	1,155,311
Miscellaneous	11,806	14,124
Total revenues	2,781,584	2,692,888
Mental illness	182,336	170,872
Chronic mental illness	909,783	961,263
Mental retardation	1,367,371	1,313,803
Developmental disability	16,980	9,254
Total expenditures	2,476,470	2,455,192
Ending fund balance	\$ 1,051,609	746,495

Boone County levied the maximum levy established by the Mental Health Fund base year calculation. The FY2012 ending fund balance was 42.5% of FY2012 expenditures compared to 30.4% in FY2011. Revenues increased 3.3% as intergovernmental revenue was \$88,205 more than FY2011. Mental health expenditures were .9% higher compared to FY2011.

Because the Iowa Legislature changed mental health operations and funding for FY2013, it is uncertain how this change will impact county governments.

Rural Services Fund		
	FY2012	FY2011
Beginning fund balance	\$ 432,346	525,322
Property tax	1,742,049	1,607,017
Local option sales tax	653,225	610,493
Intergovernmental	71,129	52,618
Permits, charges for service and miscellaneous	18,423	13,908
Total revenues	2,484,826	2,284,036
County environment and education	312,984	316,040
Governmental services to residents	1,192	1,209
Transfers to other funds	2,018,513	2,059,763
Total expenditures and transfers	2,332,689	2,377,012
Ending fund balance	\$ 584,483	432,346

Property tax revenue for FY2012 was up \$135,032, or 8.4%. The major contributor to the increase was a \$0.10 increase per \$1,000 of taxable valuation in the rural services levy rate. In preparing the FY2010 budget, the Board lowered the rural services levy rate \$0.10 per \$1,000 of taxable valuation because it felt the Rural Services Fund balance was excessive. Having lowered the balance sufficiently, the levy was returned to the level it had been since FY 2007.

- The local effort for secondary roads was maintained at 90% of the maximum allowed to be levied for the Secondary Roads Fund.
- Local option sales tax revenue in the Rural Services Fund rose to \$653,225, an increase of 7.0% compared to FY2011.
- Total property tax related revenue (\$1,742,049) is less than the amount transferred to the Secondary Roads Fund (\$2,018,513) by \$276,464, which means local option sales tax pays for all of the services in the Rural Services Fund and part of the road expenses. This is where rural residents realize direct property tax relief because of the local option sales tax.
- The Rural Services Fund ending fund balance now represents 25.1% of the Rural Services Fund expenditures, including transfers to the Secondary Roads Fund, compared to 18.0% in FY2011. The Board of Supervisors, noting the fund balance declining below 20% in the Rural Services Fund, restored the \$0.10 per \$1,000 of taxable valuation levy rate reduction it had approved for the FY2010 budget when it prepared the FY2012 budget.

Secondary Roads Fund		
	FY2012	FY2011
Beginning fund balance	\$ 2,007,767	1,898,992
State fuel tax and other state revenue	3,739,132	3,412,377
Permits, charges for service and miscellaneous	120,162	90,251
Transfers from other funds	2,018,513	2,059,763
Total revenues and transfers	5,877,807	5,562,391
Secondary road maintenance	5,298,333	5,254,482
Secondary road construction	144,505	199,134
Total expenditures	5,442,838	5,453,616
Ending fund balance	\$ 2,442,736	2,007,767

- Secondary Roads Fund revenue and transfers increased 5.7% compared to FY2011, which was primarily due to an increase in road use tax and other state revenue of approximately \$327,000 and transfers decreasing approximately \$41,000.
- Secondary Roads Fund expenditures remained relatively unchanged compared to FY2011, decreasing \$10,778.

The ending fund balance compared to total expenditures increased to 44.9% in FY2012, compared to 36.8 % in FY2011.

Debt Service Fund

	FY2012	FY2011
Beginning fund balance	\$ 84,406	57,714
Property tax	560,379	583,404
Intergovernmental and miscellaneous	23,353	20,109
General obligation notes issued, net of discount	1,119,908	-
Transfers from other funds	65,000	66,173
Total revenues and transfers	1,768,640	669,686
Principal	1,554,981	500,000
Interest	161,353	142,994
Total expenditures	1,716,334	642,994
Ending fund balance	\$ 136,712	84,406

The Debt Service Fund accumulates resources and pays the principal and interest on the County's general obligation bonds and notes. At the end of FY2012, the County had \$5,667,191 of debt outstanding subject to the debt service tax levy.

Capital Projects Fund

	FY2012	FY2011
Beginning fund balance	\$ 159,706	199,747
Interim financing proceeds	124,117	492,180
General obligation notes issued, net of discount	1,330,928	-
Total revenues and transfers	1,455,045	492,180
County environment and education	476,422	497,265
Administration	-	-
Debt service	-	-
Transfers to other funds net	-	-
Capital projects	4,319	34,956
Total expenditures	480,741	532,221
Ending fund balance	\$ 1,134,010	159,706

During the year ended June 30, 2007, the County issued \$1,500,000 of general obligation capital loan notes to purchase land for the site of the Farm Progress Show. The proceeds of the notes were placed in the Capital Projects Fund to account for this major project. The County issued debt in FY2009 to retire the capital loan notes issued for the original purchase of Central Iowa Expo (CIE) Land. The County also agreed to guarantee the first five years of payments on the loan the Central Iowa Expo Board obtained to develop the site, with the balance of the loan guaranteed by USDA. This year, the County refinanced the short term CIE guarantee payments. Included in the borrowing were funds to meet the County's five year guarantee which ends May of 2014.

BUSINESS TYPE FUND HIGHLIGHTS

- FY2012 was the Boone County Landfill's 42nd year of operations. Inspections by a variety of entities continue to demonstrate the Landfill is operated at a level which exceeds regulatory requirements.
- In 2010, the IDNR calculated the CIWMA planning area had landfilled 45% of the region's waste. At that time, only two planning areas in the state of Iowa achieved this level of waste diversion.

Landfill Operations Fund

- Landfill Operations Fund revenue was \$2,630,096, an increase of 27.3% compared to FY 2011, primarily due to the Ames/Story Construction and Demolition Landfill refuse being diverted to Boone County when the Ames facility closed.
- Operating expenses decreased less than 1% compared to FY2011.

Keep Boone County Beautiful Sub-Account

This sub-account (within the Landfill Operations Fund) was started to manage several projects of Landfill interest, including:

The Dragoon River Romp.

Adopt a County Road, City Street or favorite place.

Environmental education.

Keep Boone County Scenic pick up litter day.

Boone County Recycling Center Sub-Account

This sub-account (within the Landfill Operations Fund) was started to manage expenses associated with the Boone County Recycling Center.

Landfill Closure/Postclosure Sub-Account

- The Closure/Postclosure Account has assets totaling \$3,309,530. The fund is now fully funded in accordance with IDNR requirements.
- No closure/postclosure costs were expended from this account during FY2012.

Ground Water Tax Fund (Local Portion of Tip Fee Surcharge)

This fund accounts for the amount the Boone County Landfill is allowed to retain from the State tipping fee surcharge. Actual revenue for this fund is tied to the tonnage received by the Landfill subject to the surcharge. Tonnage received due to exceptional events is exempt from the state surcharge. The County's share of ground water surcharge increased 27.8% to \$81,694 compared to FY2011.

Due to restricting the Landfill's accounts, expenses increased slightly compared to FY2011 and include funding for:

- A portion of recyclables processing costs carried out by Genesis Development.
- Mobile Watershed Education Center.
- Special event advertising.
- Educational materials.

BUDGETARY HIGHLIGHTS

On June 13, 2012, the County Board of Supervisors amended the original FY2012 budget for the following:

- Increased intergovernmental receipts of \$40,000 to recognize various public health grants obtained this year not originally budgeted.
- Increased general long-term debt proceeds to \$2,981,114 to refinance current short term obligations of the CIE up to the 5 year loan guarantee.
- Increased physical health and social services function disbursements \$40,000 for additional public health grant funding.
- Increased Mental Health Fund expenditures \$100,000 to cover anticipated expenditures.
- Increased debt service expenditures to pay off the Boone Bank & Trust loan and to pay the long term financing issuance costs.

In the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds, the actual net disbursements of \$17,803,559 were \$3,830,364 less than the amended budget. Receipts were \$928,470 less than the amended budget.

CAPITAL ASSETS

Boone County's governmental and business type activities concluded FY2012 with \$42,593,973 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, roads and bridges. GASB 34 requires infrastructure and other capital assets to be depreciated according to a capital asset policy. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

In FY2004, Boone County issued general obligation bonds of \$4,835,000 for the purpose of refinancing the original jail project bonds. The County's bond rating for the refinancing issue is Aa3. The bond rating firm requires a higher ending fund balance than the County has determined necessary to receive a higher bond rating. During FY2010, the County issued general obligation capital loan notes of \$3,190,000 for the purpose of refinancing the jail bonds. The final payment on these bonds will be in FY2018.

In prior years, the County borrowed \$400,000 through a general obligation capital loan note to construct a twelve office addition to the Department of Human Services building and \$1.5 million through a general obligation capital loan anticipation project note to purchase approximately 100 acres for the Central Iowa Expo site which will be the permanent bi-annual home of the Farm Progress Show for the next 20 years. The anticipation project note was replaced with permanent financing during FY2009. The capital loan note for the DHS building remodel is now retired. The balance due on the purchase of land for CIE is \$1,390,000 and is currently scheduled to be paid by June 30, 2029.

To help establish the Central Iowa Expo (CIE) in Boone County, the County guaranteed part of the debt the CIE has with Community Bank of Boone. As of June 30, 2012, the County has refinanced this obligation by converting the short term financing to Urban Renewal General Obligation Capital loan notes of \$2,465,000 which are currently scheduled to be paid by June 30, 2031.

Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

FACTORS BEARING ON THE FUTURE

Boone County's elected and appointed officials and citizens considered many factors when setting the FY2013 budget, tax rates and fees that partially finance the various county services. One of those factors is the economy. Boone County's employment (number of persons working) has increased from an average of 13,500 in the mid 1990's to an average of 14,540 for calendar year 2011. The average Boone County unemployment rate for 1998 was 2.3%. Unemployment in Boone County on June 30, 2012 was 4.4% versus 5.3% a year before. This compares with the State's unemployment rate of 5.1% for the same period ended June 30, 2011.

The State of Iowa's modest financial condition and relatively flat revenue projection continue. The County has projected substantially stable revenues from the State and has asked taxpayers to fund the County budget with an additional 2.8% of property tax compared to FY2012. The actual increase from FY2012 to FY2013 is \$217,427.

The above factors were all part of the considerations for the FY2013 budget, which certified taxes as follows: (Amounts certified include utility replacement and property tax dollars)

	Dollars Certified	Percentage Increase (Decrease)
General Fund	\$ 4,670,071	2.8%
Mental Health Fund	878,976	1.1
Rural Services Fund	1,826,983	1.9
Debt Service Fund	623,371	7.8
Total	<u>\$ 7,999,401</u>	<u>2.8%</u>

Boone County attempted to maintain the current level of services as the FY2013 budget was developed. Levy rates (expressed in \$/\$1,000 taxable valuation) to produce the above dollars for FY2013 are as follows:

General basic levy	\$ 3.50000
General supplemental levy	0.56158
Mental health levy	0.76445
Rural services basic levy	2.57011
Debt service levy	0.52227

Boone County has been fortunate there has been continued new construction and economic growth in the community to help offset the growth in demand for county services. The county-wide taxable valuation for the FY2013 budget exceeds \$1 billion for the fourth time in County history.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Boone County citizens, taxpayers, customers, investors and creditors with a general overview of Boone County's finances and to demonstrate Boone County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boone County Auditor's Office, 201 State Street, Boone, Iowa 50036.

Boone County

Basic Financial Statements

Exhibit A

Boone County
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, pooled investments and cash equivalents	\$ 6,343,660	1,725,805	8,069,465
Cash and cash equivalents - restricted	-	3,305,683	3,305,683
Receivables:			
Property tax:			
Delinquent	26,862	-	26,862
Succeeding year	7,802,000	-	7,802,000
Interest and penalty on property tax	87,877	-	87,877
Accounts	29,241	207,617	236,858
Accrued interest	2,790	3,847	6,637
Drainage assessment	40,992	-	40,992
Special assessments	14,580	-	14,580
Road assessments	41,583	-	41,583
Loan	100,000	-	100,000
Internal balances	(2,195)	2,195	-
Due from other governments	1,488,041	8,766	1,496,807
Inventories	874,118	-	874,118
Capital assets, net of accumulated depreciation	39,292,338	3,301,635	42,593,973
Total assets	56,141,887	8,555,548	64,697,435
Liabilities			
Accounts payable	823,253	87,180	910,433
Accrued interest payable	99,061	-	99,061
Salaries and benefits payable	102,397	9,271	111,668
Due to other governments	7,126	41,250	48,376
Deferred revenue:			
Succeeding year property tax	7,802,000	-	7,802,000
Other	76,630	-	76,630
Long-term liabilities:			
Portion due or payable within one year:			
General obligation notes	425,000	-	425,000
SWAP loan	-	9,382	9,382
Capital lease purchase agreement	-	72,986	72,986
Compensated absences	366,805	31,584	398,389
Portion due or payable after one year:			
General obligation notes	2,791,355	-	2,791,355
Urban renewal general obligation notes	2,450,836	-	2,450,836
Capital lease purchase agreement	-	778,811	778,811
SWAP loan	-	1,707	1,707
Estimated liability for landfill closure and postclosure care	-	2,480,717	2,480,717
Net OPEB liability	21,519	2,618	24,137
Total liabilities	14,965,982	3,515,506	18,481,488
Net Assets			
Invested in capital assets, net of related debt	36,075,983	2,438,749	38,514,732
Restricted for:			
Supplemental levy purposes	179,006	-	179,006
Mental health purposes	1,032,148	-	1,032,148
Rural services purposes	620,106	-	620,106
Secondary roads purposes	2,329,683	-	2,329,683
Law enforcement	147,434	-	147,434
Landfill closure and postclosure	-	828,813	828,813
Other purposes	527,613	116,873	644,486
Unrestricted	263,932	1,655,607	1,919,539
Total net assets	\$ 41,175,905	5,040,042	46,215,947

See notes to financial statements.

Boone County
Statement of Activities
Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business	
						Type Activities	
Functions/Programs:							
Governmental activities:							
Public safety and legal services	\$ 2,995,902	617,964	417,657	-	(1,960,281)	-	(1,960,281)
Physical health and social services	631,224	136,972	1,139,860	-	645,608	-	645,608
Mental health	2,475,656	122,959	1,713,854	-	(638,843)	-	(638,843)
County environment and education	1,880,318	318,670	13,536	-	(1,548,112)	-	(1,548,112)
Roads and transportation	6,787,600	358,247	2,740,287	370,017	(3,319,049)	-	(3,319,049)
Governmental services to residents	541,159	474,631	5,710	-	(60,818)	-	(60,818)
Administration	1,841,529	29,227	5,810	-	(1,806,492)	-	(1,806,492)
Interest on long-term debt	253,617	-	-	-	(253,617)	-	(253,617)
Total governmental activities	17,407,005	2,058,670	6,036,714	370,017	(8,941,604)	-	(8,941,604)
Business type activities:							
Solid waste	2,210,934	2,666,544	19,352	-	-	474,962	474,962
Total	\$ 19,617,939	4,725,214	6,056,066	370,017	(8,941,604)	474,962	(8,466,642)
General Revenues:							
Property and other county tax levied for:							
General purposes					6,983,350	-	6,983,350
Debt service					560,866	-	560,866
Tax increment financing					73,643	-	73,643
Penalty and interest on property tax					95,090	-	95,090
State tax credits					257,928	-	257,928
Local option sales tax					868,967	-	868,967
Grants and contributions not restricted to specific purposes					106,554	-	106,554
Unrestricted investment earnings					91,257	25,895	117,152
Gain on disposition of capital assets					11,186	-	11,186
Miscellaneous					77,697	-	77,697
Total general revenues					9,126,538	25,895	9,152,433
Change in net assets					184,934	500,857	685,791
Net assets beginning of year					40,990,971	4,539,185	45,530,156
Net assets end of year					\$ 41,175,905	5,040,042	46,215,947

See notes to financial statements.

Boone County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,542,923	1,108,718	492,292	1,453,909
Receivables:				
Property tax:				
Delinquent	17,670	3,326	3,540	-
Succeeding year	4,467,000	840,000	1,750,000	-
Penalty and interest on property tax	87,877	-	-	-
Accounts	17,520	-	-	9,655
Accrued interest	2,790	-	-	-
Drainage assessments	-	-	-	-
Special assessment	14,580	-	-	-
Road assessments	-	-	-	41,583
Loan	100,000	-	-	-
Due from other funds	7,757	-	-	9,761
Due from other governments	1,078,540	16,491	136,791	256,219
Inventories	-	-	-	874,118
Total assets	\$ 7,336,657	1,968,535	2,382,623	2,645,245
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 637,503	68,196	5,112	81,598
Salaries and benefits payable	56,074	4,860	2,501	38,962
Due to other funds	15,115	-	4,904	20
Due to other governments	6,480	646	-	-
Deferred revenue:				
Succeeding year property tax	4,467,000	840,000	1,750,000	-
Other	295,565	3,224	35,623	81,929
Total liabilities	5,477,737	916,926	1,798,140	202,509
Fund balances:				
Nonspendable:				
Inventories	-	-	-	874,118
Restricted for:				
Supplemental levy purposes	176,638	-	-	-
Mental health purposes	-	1,051,609	-	-
Rural services purposes	-	-	584,483	-
Secondary roads purposes	-	-	-	1,568,618
Conservation land acquisition/capital improvements	38,875	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Law enforcement	147,434	-	-	-
Other purposes	-	-	-	-
Unassigned	1,495,973	-	-	-
Total fund balances	1,858,920	1,051,609	584,483	2,442,736
Total liabilities and fund balances	\$ 7,336,657	1,968,535	2,382,623	2,645,245

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
71,642	1,134,010	540,166	6,343,660
2,326	-	-	26,862
597,000	-	148,000	7,802,000
-	-	-	87,877
-	-	2,066	29,241
-	-	-	2,790
-	-	40,992	40,992
-	-	-	14,580
-	-	-	41,583
-	-	-	100,000
65,000	-	326	82,844
-	-	-	1,488,041
-	-	-	874,118
735,968	1,134,010	731,550	16,934,588
-	-	30,844	823,253
-	-	-	102,397
-	-	65,000	85,039
-	-	-	7,126
597,000	-	148,000	7,802,000
2,256	-	40,992	459,589
599,256	-	284,836	9,279,404
-	-	-	874,118
-	-	-	176,638
-	-	-	1,051,609
-	-	-	584,483
-	-	-	1,568,618
-	-	-	38,875
136,712	-	8,902	145,614
-	1,134,010	-	1,134,010
-	-	-	147,434
-	-	437,812	437,812
-	-	-	1,495,973
136,712	1,134,010	446,714	7,655,184
735,968	1,134,010	731,550	16,934,588

Boone County

Boone County

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

June 30, 2012

Total governmental fund balances (page 25)	\$ 7,655,184
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
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 \$67,964,306 and the accumulated depreciation is \$28,671,968.	39,292,338
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	382,959
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(6,154,576)</u>
Net assets of governmental activities (page 22)	<u><u>\$ 41,175,905</u></u>

See notes to financial statements.

Boone County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,406,635	841,434	1,742,049	-
Local option sales tax	217,742	-	653,225	-
Penalty and interest on property tax	68,321	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	1,616,594	1,928,344	71,129	3,739,132
Licenses and permits	16,600	-	-	3,045
Charges for service	889,666	-	17,733	961
Use of money and property	207,426	-	-	-
Miscellaneous	179,014	11,806	690	116,156
Total revenues	7,601,998	2,781,584	2,484,826	3,859,294
Expenditures:				
Operating:				
Public safety and legal services	2,939,568	-	-	-
Physical health and social services	630,996	-	-	-
Mental health	-	2,476,470	-	-
County environment and education	1,176,239	-	312,984	-
Roads and transportation	-	-	-	5,298,333
Governmental services to residents	535,914	-	1,192	-
Administration	1,560,273	-	-	-
Debt service	-	-	-	-
Capital projects	551,250	-	-	144,505
Total expenditures	7,394,240	2,476,470	314,176	5,442,838
Excess (deficiency) of revenues over (under) expenditures	207,758	305,114	2,170,650	(1,583,544)
Other financing sources (uses):				
Sale of capital assets	29,265	-	-	-
Operating transfers in	-	-	-	2,018,513
Operating transfers out	-	-	(2,018,513)	-
General obligation notes issued	-	-	-	-
Discount on general obligation capital loan note	-	-	-	-
Interim financing proceeds	-	-	-	-
Total other financing sources (uses)	29,265	-	(2,018,513)	2,018,513
Change in fund balances	237,023	305,114	152,137	434,969
Fund balances beginning of year	1,621,897	746,495	432,346	2,007,767
Fund balances end of year	\$ 1,858,920	1,051,609	584,483	2,442,736

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
560,379	-	-	7,550,497
-	-	-	870,967
-	-	-	68,321
-	-	73,643	73,643
19,075	-	9,302	7,383,576
-	-	-	19,645
-	-	5,710	914,070
-	-	973	208,399
4,278	-	88,392	400,336
583,732	-	178,020	17,489,454
-	-	51,964	2,991,532
-	-	-	630,996
-	-	-	2,476,470
-	476,422	103,218	2,068,863
-	-	-	5,298,333
-	-	4,068	541,174
-	-	-	1,560,273
1,716,334	-	-	1,716,334
-	4,319	-	700,074
1,716,334	480,741	159,250	17,984,049
(1,132,602)	(480,741)	18,770	(494,595)
-	-	-	29,265
65,000	-	-	2,083,513
-	-	(65,000)	(2,083,513)
1,134,072	1,330,928	-	2,465,000
(14,164)	-	-	(14,164)
-	124,117	-	124,117
1,184,908	1,455,045	(65,000)	2,604,218
52,306	974,304	(46,230)	2,109,623
84,406	159,706	492,944	5,545,561
136,712	1,134,010	446,714	7,655,184

Boone County

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

Year ended June 30, 2012

Change in fund balances - Total governmental funds (page 29) \$ 2,109,623

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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 1,164,378	
Capital assets contributed by the Iowa Department of	370,017	
Depreciation expense	<u>(2,024,230)</u>	(489,835)

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. 11,186

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	4,239	
Other	<u>(297,206)</u>	(292,967)

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

Issued	2,589,117	
Repaid	<u>1,521,715</u>	(1,067,402)

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	(1,368)	
Other postemployment benefits	(7,127)	
Interest on long-term debt	<u>(77,176)</u>	(85,671)

Change in net assets of governmental activities (page 23) \$ 184,934

See notes to financial statements.

Boone County
Statement of Net Assets
Proprietary Funds

June 30, 2012

	Enterprise		Total
	Nonmajor		
	Landfill Operations	Ground Water Tax	
Assets			
Cash and cash equivalents	\$ 1,634,629	91,176	1,725,805
Cash and cash equivalents - restricted	3,305,683	-	3,305,683
Receivables:			
Accounts	207,617	-	207,617
Accrued interest	3,847	-	3,847
Due from other funds	10,834	27,500	38,334
Due from other governments	8,766	-	8,766
Capital assets, net of accumulated depreciation	3,301,635	-	3,301,635
Total assets	8,473,011	118,676	8,591,687
Liabilities			
Accounts payable	85,377	1,803	87,180
Salaries and benefits payable	9,271	-	9,271
Due to other funds	36,139	-	36,139
Due to other governments	41,250	-	41,250
Long-term liabilities:			
Portion due or payable within one year:			
SWAP loan	9,382	-	9,382
Capital lease purchase agreement	72,986	-	72,986
Compensated absences	31,584	-	31,584
Portion due or payable after one year:			
SWAP loan	1,707	-	1,707
Capital lease purchase agreement	778,811	-	778,811
Estimated liability for landfill closure and postclosure care	2,480,717	-	2,480,717
Net OPEB liability	2,618	-	2,618
Total liabilities	3,549,842	1,803	3,551,645
Net Assets			
Invested in capital assets, net of related debt	2,438,749	-	2,438,749
Restricted for:			
Ground water tax purposes	-	116,873	116,873
Landfill closure and postclosure care	828,813	-	828,813
Unrestricted	1,655,607	-	1,655,607
Total net assets	\$ 4,923,169	116,873	5,040,042

See notes to financial statements.

Exhibit H

Boone County

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

Year ended June 30, 2012

	Enterprise		Total
	Landfill Operations	Nonmajor Ground Water Tax	
Operating revenues:			
Charges for service	\$ 1,965,766	81,694	2,047,460
Per capita fees	176,290	-	176,290
Solid waste fees	425,363	-	425,363
Miscellaneous	17,431	-	17,431
Total operating revenues	2,584,850	81,694	2,666,544
Operating expenses:			
Salaries and wages	422,809	-	422,809
Payroll tax	31,803	-	31,803
Fringe benefits	108,161	-	108,161
Fuel	144,194	-	144,194
Travel	11,125	-	11,125
Utilities	21,707	-	21,707
Insurance	26,979	-	26,979
Solid waste fees remitted to the Iowa Department of Natural Resources and Ground Water Tax Fund	187,312	-	187,312
Education and training	39,891	-	39,891
Equipment	46,899	-	46,899
Engineering	49,138	-	49,138
Maintenance and repair Operations	225,996	-	225,996
Depreciation	103,580	-	103,580
Dues and membership	332,868	-	332,868
Hauling	2,791	-	2,791
Recycling	218,782	-	218,782
Gravel	-	38,139	38,139
Leachate hauling and treatment	74,280	-	74,280
Adjustment to estimated liability for landfill closure and postclosure care	27,180	-	27,180
Total operating expenses	91,922	-	91,922
Operating income	2,167,417	38,139	2,205,556
Non-operating revenues (expenses):			
FEMA grant	417,433	43,555	460,988
Interest expense	19,352	-	19,352
Interest income	(5,377)	-	(5,377)
Total non-operating revenues (expenses)	25,894	-	25,894
Change in net assets	39,869	-	39,869
Net assets beginning of year	457,302	-	500,857
Net assets end of year	4,465,867	73,318	4,539,185
	\$ 4,923,169	73,318	5,040,042

See notes to financial statements.

Boone County
Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Enterprise		Total
	Landfill Operations	Nonmajor Ground Water Tax	
Cash flows from operating activities:			
Cash received from gate fees	\$ 2,334,081	-	2,334,081
Cash received from per capita fee assessments	176,290	-	176,290
Cash received from other operating receipts	10,232	71,068	81,300
Cash paid to suppliers for goods and services	(1,143,383)	(37,413)	(1,180,796)
Cash paid to employees for services	(557,632)	-	(557,632)
Net cash provided by operating activities	<u>819,588</u>	<u>33,655</u>	<u>853,243</u>
Cash flows from noncapital financing activities:			
Transfer between funds	4,959	-	4,959
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(28,674)	-	(28,674)
Repayment of capital lease principal	(11,901)	-	(11,901)
Repayment of SWAP loan	(10,234)	-	(10,234)
Interest paid	(5,377)	-	(5,377)
Net cash used by capital and related financing activities	<u>(56,186)</u>	<u>-</u>	<u>(56,186)</u>
Cash flows from investing activities:			
Interest received on investments	27,026	-	27,026
Net increase in cash and cash equivalents	795,387	33,655	829,042
Cash and cash equivalents beginning of year	4,144,925	57,521	4,202,446
Cash and cash equivalents end of year	<u>\$ 4,940,312</u>	<u>91,176</u>	<u>5,031,488</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 417,433	43,555	460,988
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	332,868	-	332,868
Closure and postclosure care	91,922	-	91,922
Changes in assets and liabilities:			
Increase in accounts receivable	(57,048)	-	(57,048)
Increase in due from other governments	(7,199)	-	(7,199)
Increase in due from other funds	(10,151)	(10,626)	(20,777)
Decrease in prepaid insurance	5,999	-	5,999
Increase in accounts payable	40,408	726	41,134
Increase in salaries payable	2,045	-	2,045
Decrease in due to other funds	(15,725)	-	(15,725)
Increase in due to other governments	15,939	-	15,939
Increase in net OPEB liability	414	-	414
Increase in compensated absences	2,683	-	2,683
Total adjustments	<u>402,155</u>	<u>(9,900)</u>	<u>392,255</u>
Net cash provided by operating activities	<u>\$ 819,588</u>	<u>33,655</u>	<u>853,243</u>

Non-cash capital and related financing activities:

During the year ended June 30, 2012, a shredder and excavator with a cost of \$863,698 were acquired through a capital lease purchase agreement.

See notes to financial statements.

Boone County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 2,254,440
Other County officials	36,519

Receivables:

Property tax:

Delinquent	130,755
Succeeding year	29,011,000

Accounts	44,219
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Special assessments	414,717
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Due from other governments	154,963
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Prepaid insurance	1,652
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Total assets	<u>32,048,265</u>
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Liabilities

Accounts payable	77,307
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Salaries and benefits payable	19,247
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Due to other funds	532
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Due to other governments	31,393,492
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Trusts payable	475,511
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Compensated absences	82,176
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Total liabilities	<u>32,048,265</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Boone County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the

following boards and commissions: Boone County Assessor's Conference Board, Boone County Emergency Management Commission, County Community Services and the Boone 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.

B. Basis of Presentation

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund - The Enterprise, Landfill Operations Fund is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The fund is also used to accumulate resources to fund the closure and postclosure care costs of the Landfill.

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.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Funds are charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

Special Assessments Receivable – Special assessments receivable represents 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 represents assessments which have been made but have not been collected.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, 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	25,000
Intangibles	50,000
Equipment and vehicles	5,000

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

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

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

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

Trusts Payable – Trusts payable represent 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 and unspent grant proceeds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Pooled Investments and Cash Equivalents

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

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

At June 30, 2012, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$178,277 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Rural Services	\$ 120
	Secondary Roads	20
	Enterprise:	
	Landfill Operations	7,617
		<u>7,757</u>
Special Revenue:		
Secondary Roads	General	3,955
	Special Revenue:	
	Rural Services	4,784
	Enterprise:	
	Landfill Operations	1,022
		<u>9,761</u>
County Recorder's Records Management	General	326
Debt Service	Special Revenue:	
	County TIF Project	65,000
Enterprise:		
Landfill Operations	General	10,834
	Enterprise:	
Ground Water Tax	Landfill Operations	27,500
Total		<u>\$ 121,178</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 2,018,513
Debt Service	County TIF Project	65,000
Total		<u>\$ 2,083,513</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,813,085	-	-	1,813,085
Construction in progress	1,139,092	1,418,783	(1,538,051)	1,019,824
Total capital assets not being depreciated	<u>2,952,177</u>	<u>1,418,783</u>	<u>(1,538,051)</u>	<u>2,832,909</u>
Capital assets being depreciated:				
Buildings	6,039,710	-	-	6,039,710
Improvements other than buildings	251,714	-	-	251,714
Equipment and vehicles	9,522,135	130,486	(107,615)	9,545,006
Infrastructure, other	6,062,513	-	-	6,062,513
Infrastructure, road network	41,694,403	1,538,051	-	43,232,454
Total capital assets being depreciated	<u>63,570,475</u>	<u>1,668,537</u>	<u>(107,615)</u>	<u>65,131,397</u>
Less accumulated depreciation for:				
Buildings	1,633,288	145,217	-	1,778,505
Improvements other than buildings	55,581	6,293	-	61,874
Equipment and vehicles	8,089,916	557,776	(103,927)	8,543,765
Infrastructure, other	305,731	300,520	-	606,251
Infrastructure, road network	16,667,149	1,014,424	-	17,681,573
Total accumulated depreciation	<u>26,751,665</u>	<u>2,024,230</u>	<u>(103,927)</u>	<u>28,671,968</u>
Total capital assets being depreciated, net	<u>36,818,810</u>	<u>(355,693)</u>	<u>(3,688)</u>	<u>36,459,429</u>
Governmental activities capital assets, net	<u>\$ 39,770,987</u>	<u>1,063,090</u>	<u>(1,541,739)</u>	<u>39,292,338</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 488,499	-	-	488,499
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>488,499</u>	<u>-</u>	<u>-</u>	<u>488,499</u>
Capital assets being depreciated:				
Buildings	443,091	-	-	443,091
Equipment and vehicles	3,334,369	892,372	-	4,226,741
Infrastructure	1,573,884	-	-	1,573,884
Total capital assets being depreciated	<u>5,351,344</u>	<u>892,372</u>	<u>-</u>	<u>6,243,716</u>
Less accumulated depreciation for:				
Buildings	150,598	11,077	-	161,675
Equipment and vehicles	2,370,031	245,690	-	2,615,721
Infrastructure	577,083	76,101	-	653,184
Total accumulated depreciation	<u>3,097,712</u>	<u>332,868</u>	<u>-</u>	<u>3,430,580</u>
Total capital assets being depreciated, net	<u>2,253,632</u>	<u>559,504</u>	<u>-</u>	<u>2,813,136</u>
Business type activities capital assets, net	<u>\$ 2,742,131</u>	<u>559,504</u>	<u>-</u>	<u>3,301,635</u>

The County has acquired a shredder and excavator for the Landfill under a capital lease purchase agreement. The cost of the equipment was \$863,698 and the accumulated depreciation at June 30, 2012 was \$86,340.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,520
County environment and education	327,277
Roads and transportation	1,460,619
Governmental services to residents	1,481
Administration	<u>179,333</u>
Total depreciation expense - governmental activities	<u>\$ 2,024,230</u>
Business type activities:	
Landfill operations	<u>\$ 332,868</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 6,480
Special Revenue:		
Mental Health	Services	646
Total for governmental funds		<u>\$ 7,126</u>
Agency:		
Agricultural Extension Education	Collections	\$ 188,728
County Assessor		924,804
Schools		18,721,616
Community Colleges		656,509
Corporations		7,911,370
Townships		396,040
Auto License and Use Tax		594,455
Special Assessments		453,668
County Hospital		1,031,836
E911		481,544
All other		<u>32,922</u>
Total for agency funds		<u>\$ 31,393,492</u>

(7) Long-Term Liabilities

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

	Governmental Activities					Total
	General Obligation Capital Loan Notes	Urban Renewal General Obligation Capital Loan Notes	General Obligation Anticipation Project Note	Compen- sated Absences	Net OPEB Liability	
Balance beginning of year	\$ 3,677,015	-	922,774	365,437	14,392	4,979,618
Increases	-	2,465,000	124,117	283,484	9,224	2,881,825
Decreases	460,660	14,164	1,046,891	282,116	2,097	1,805,928
Balance end of year	<u>\$ 3,216,355</u>	<u>2,450,836</u>	<u>-</u>	<u>366,805</u>	<u>21,519</u>	<u>6,055,515</u>
Due within one year	<u>\$ 425,000</u>	<u>-</u>	<u>-</u>	<u>366,805</u>	<u>-</u>	<u>791,805</u>

	Business Type Activities					
	Landfill					Total
	SWAP Loans	Capital Lease Purchase Agreement	Compen- sated Absences	Closure and Postclosure Care	Net OPEB Liability	
Balance beginning of year	\$ 21,323	-	28,901	2,388,795	2,204	2,441,223
Increases	-	863,698	23,155	91,922	414	979,189
Decreases	10,234	11,901	20,472	-	-	42,607
Balance end of year	\$ 11,089	851,797	31,584	2,480,717	2,618	3,377,805
Due within one year	\$ 9,382	72,986	31,584	-	-	113,952

General Obligation Capital Loan Notes

A summary of the County's June 30, 2012 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Capital Loan Note, Series 2010			Capital Loan Note, Series 2009A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	1.30%	\$ 380,000	43,580	4.50%	\$ 45,000	80,200
2014	1.65	390,000	38,640	4.50	50,000	78,175
2015	2.10	400,000	32,205	4.50	50,000	75,925
2016	2.40	400,000	23,805	4.75	55,000	73,675
2017	2.70	415,000	14,205	5.00	60,000	71,063
2018-2022	3.00	100,000	3,000	5.00-5.70	360,000	303,822
2023-2027		-	-	5.80-6.20	510,000	182,390
2028-2029		-	-	6.30-6.50	260,000	25,550
Total		\$ 2,085,000	* 155,435		\$ 1,390,000	890,800

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 425,000	123,780	548,780
2014	440,000	116,815	556,815
2015	450,000	108,130	558,130
2016	455,000	97,480	552,480
2017	475,000	85,268	560,268
2018-2022	460,000	306,822	766,822
2023-2027	510,000	182,390	692,390
2028-2029	260,000	25,550	285,550
Total	\$3,475,000	1,046,235	4,521,235

* The Series 2010 Notes had unamortized discount totaling \$258,645 at June 30, 2012.

During the year ended June 30, 2012, the County retired \$505,000 of general obligation capital loan notes.

Urban Renewal General Obligation Capital Loan Notes

On September 7, 2011, the County issued \$2,465,000 of urban renewal general obligation capital loan notes, series 2011 dated September 1, 2011 for the purpose of retiring the outstanding balance of \$1,046,891 of the general obligation capital loan anticipation project notes, Series 2009B dated April 1, 2009 and to guarantee the principal and interest payments of a Central Iowa Expo loan with Community Bank of Boone through June 2014. As of June 30, 2012, the County has remitted \$1,392,513 to Community Bank of Boone on behalf of Central Iowa Expo, Inc. The County does not anticipate Central Iowa Expo will be able to repay the loan and, therefore, a loan receivable has not been established.

The notes bear interest at 1.00% - 4.80% per annum with final maturity on May 1, 2031. Principal and interest on the notes are payable in annual payments on May 1, beginning May 1, 2014.

A summary of the County's June 30, urban renewal general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Capital Loan Note, Series 2011			
	Interest Rates	Principal	Interest	Total
2013	1.00	\$ -	147,121	147,121
2014	1.00	90,000	88,273	178,273
2015	1.25	95,000	87,372	182,372
2016	1.50	100,000	86,185	186,185
2017	1.80	100,000	84,685	184,685
2018-2022	2.20-3.50	590,000	385,065	975,065
2023-2027	3.75-4.40	740,000	272,145	1,012,145
2028-2031	4.50-4.80	750,000	91,065	841,065
Total		\$ 2,465,000 *	1,241,911	3,706,911

*The Series 2011 notes had unamortized discount totaling \$14,164 at June 30, 2012.

Solid Waste Alternative Program (SWAP) Loans

In September 2009, the County entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of purchasing a recycling collection truck. The agreement, as amended, awarded a total of \$30,219 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$10,219. The term of the zero interest loan is 48 months and requires quarterly payments of \$852, which began April 15, 2010. At June 30, 2012, there were no unmet conditions to be achieved for loan forgiveness. The balance outstanding on the zero interest loan at June 30, 2012 was \$2,554.

In December 2008, the County entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of expanding the County's recycling program. The agreement, as amended, awarded a total of \$47,309 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$27,309. The term of the zero interest loan is 48 months and requires quarterly payments of \$1,707, which began October 15, 2009. At June 30, 2012, there were no unmet conditions to be achieved for loan forgiveness. The balance outstanding on the zero interest loan at June 30, 2012 was \$8,535.

Landfill Capital Lease Purchase Agreement

In March 2012, the County entered into a capital lease purchase agreement for a shredder and excavator for the Landfill. The agreement is for a period of ten years at an interest rate of 3.75%. For the current year, principal and interest paid and total customer net receipts (operating income adding back depreciation) were \$17,278 and \$750,301, respectively.

The following is a schedule of future minimum lease payments and the present value of net minimum lease payments for the agreement:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2013	\$ 103,671
2014	103,671
2015	103,671
2016	103,671
2017	103,671
2018-2022	<u>501,077</u>
Total minimum lease payments	1,019,432
Less amount representing interest	<u>(167,635)</u>
Present value of net minimum lease payments	<u>\$ 851,797</u>

The resolution providing for the issuance of the capital lease purchase agreement includes the following provisions:

- (a) The lease will only be paid from the revenues related to the operation of the landfill.
- (b) Sufficient monthly transfers shall be made to a sinking account for the purpose of making the lease payments.
- (c) Landfill user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the average annual lease payments falling due in the same year.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$523,958, \$471,029 and \$426,639, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 129 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 9,910
Interest on net OPEB obligation	747
Adjustment to annual required contributions	<u>(1,019)</u>
Annual OPEB cost	9,638
Contribution made	<u>(2,097)</u>
Increase in net OPEB obligation	7,541
Net OPEB obligation beginning of year	<u>16,596</u>
Net OPEB obligation end of year	<u>\$ 24,137</u>

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

For the year ended June 30, 2012, the County contributed \$2,097 to the medical plan. Plan members eligible for benefits did not make any contributions.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 10,084	18.5%	\$ 18,376
2011	10,388	117.0	16,596
2012	9,638	21.8	24,137

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$75,555, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,555. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,405,000 and the ratio of UAAL to covered payroll was 1.2%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$503 per month for retirees less than age 65 and \$1,125 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9, \$486 per month for retirees less than age 65 and \$1,087 per month for family plans of retirees less than age 65 under ISAC plan 10 and \$460 per month for retirees less than age 65 and \$1,028 per month for family plans of retirees less than age 65 under ISAC plan 13. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$156,248.

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

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$1,000,000, 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) Senior Living Facility Revenue Notes

The County has entered into a loan agreement to borrow not to exceed \$7,000,000 to construct and equip a 100 bed replacement nursing facility. The loan agreement was entered into pursuant to the authority contained in Chapter 419 of the Code of Iowa and does not constitute a general obligation of the County.

(12) Loans to County Community Service Case Management Fund

Effective July 1, 2007, Madison and Boone Counties entered into a 28E agreement to establish an administrative organization titled County Community Services. The purpose of the organization is to manage mental health and developmental disability services for the counties and provide targeted case management services. The agreement did not establish a legally separate entity. Instead, Boone County is to provide administrative services for the organization and has established an Agency, County Community Service Case Management Fund for this purpose. In July 2006, Boone County agreed to loan \$100,000 and Madison County agreed to loan \$25,000 with another \$15,000 in October 2006 for necessary cash flow. The County is establishing formal repayment schedules for the loans. At June 30, 2012, neither loan had been repaid.

(13) Closure and Postclosure Care

To comply with federal and state regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Boone County Landfill have been estimated at \$1,646,200 for closure and \$1,551,000 for postclosure care, for a total of \$3,197,200 as of June 30, 2012 for the original and expansion areas combined. The portion of the liability that has been recognized is \$2,480,717. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 6 years for the expansion area and the capacity used at June 30, 2012 is 68%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun accumulating resources to fund these costs and, at June 30, 2012, assets of \$3,305,683 are restricted for these purposes, of which \$1,717,240 is for closure and \$1,588,443 is for postclosure care.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded for the expansion area, the County is required to demonstrate financial assurance for the unfunded costs. The County had adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(14) Solid Waste Tonnage Fees Retained

The County has established an account for restricting and using solid waste tonnage fees retained by the County in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2012, net assets of \$116,873 have been retained by the County and restricted for the required purposes.

(15) Early Childhood Iowa Area Board

Boone County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 42,342	-	42,342
Family support and parent education	-	91,878	91,878
Preschool support for low-income families	-	40,342	40,342
Quality improvement	-	30,869	30,869
Allocation for administration	2,146	5,512	7,658
Other grant programs	-	15,133	15,133
Total state grants	44,488	183,734	228,222
Interest on investments	679	295	974
Total revenues	45,167	184,029	229,196
Expenditures:			
Program services:			
Early childhood	51,889	-	51,889
Family support and parent education	-	113,903	113,903
Preschool support for low income families	-	47,056	47,056
Quality improvement	-	56,328	56,328
Other program services	-	6,820	6,820
Total program services	51,889	224,107	275,996
Administration	2,287	5,382	7,669
Total expenditures	54,176	229,489	283,665
Net change in fund balance	(9,009)	(45,460)	(54,469)
Fund balance beginning of year	16,071	45,460	61,531
Fund balance end of year	\$ 7,062	-	7,062

Although not reflected above, \$68,252 was paid to the State for prior year activities.

Findings related to the operations of the Early Childhood Iowa Area Board are included as items (D), (E), (F) and (12) in the Schedule of Findings. In July 2012, the Boone and Story County Empowerment Boards were combined into one Area Board known as BooST Together for Children.

(16) Pending Litigation

The County is a defendant in certain lawsuits seeking unspecified damages. The probability of loss, if any, is indeterminable.

Boone County

Required Supplementary Information

Boone County

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

Required Supplementary Information

Year ended June 30, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,477,347	-	8,477,347
Penalty and interest on property tax	76,824	-	76,824
Intergovernmental	6,707,172	-	6,707,172
Licenses and permits	19,485	-	19,485
Charges for service	944,155	-	944,155
Use of money and property	255,014	-	255,014
Miscellaneous	385,473	42,241	343,232
Total receipts	<u>16,865,470</u>	<u>42,241</u>	<u>16,823,229</u>
Disbursements:			
Public safety and legal services	2,971,806	-	2,971,806
Physical health and social services	657,553	-	657,553
Mental health	2,570,583	-	2,570,583
County environment and education	1,818,807	103,218	1,715,589
Roads and transportation	5,392,723	-	5,392,723
Governmental services to residents	526,009	-	526,009
Administration	1,535,905	-	1,535,905
Debt service	1,716,334	-	1,716,334
Capital projects	717,057	-	717,057
Total disbursements	<u>17,906,777</u>	<u>103,218</u>	<u>17,803,559</u>
Excess (deficiency) of receipts over (under) disbursements	(1,041,307)	(60,977)	(980,330)
Other financing sources, net	2,604,037	-	2,604,037
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,562,730	(60,977)	1,623,707
Balance beginning of year	4,780,930	137,527	4,643,403
Balance end of year	<u>\$ 6,343,660</u>	<u>76,550</u>	<u>6,267,110</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
8,431,083	8,421,303	56,044
80,500	80,500	(3,676)
7,502,001	7,542,001	(834,829)
14,400	14,400	5,085
963,280	963,280	(19,125)
167,615	167,615	87,399
562,600	562,600	(219,368)
17,721,479	17,751,699	(928,470)
3,251,700	3,251,700	279,894
765,416	805,416	147,863
2,721,079	2,821,079	250,496
3,751,902	3,751,902	2,036,313
5,634,500	5,634,500	241,777
627,556	627,556	101,547
1,817,054	1,817,054	281,149
643,530	1,714,716	(1,618)
1,210,000	1,210,000	492,943
20,422,737	21,633,923	3,830,364
(2,701,258)	(3,882,224)	2,901,894
526,000	2,981,114	(377,077)
(2,175,258)	(901,110)	2,524,817
4,325,917	4,521,884	121,519
2,150,659	3,620,774	2,646,336

Boone County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,865,470	623,984	17,489,454
Expenditures	17,906,777	77,272	17,984,049
Net	(1,041,307)	546,712	(494,595)
Other financing sources, net	2,604,037	181	2,604,218
Beginning fund balances	4,780,930	764,631	5,545,561
Ending fund balances	\$ 6,343,660	1,311,524	7,655,184

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Enterprise 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 \$1,211,186. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

Boone County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 74	74	0.00%	\$ 6,273	1.20%
2011	Jul 1, 2008	-	74	74	0.00	6,595	1.10
2012	Jul 1, 2011	-	76	76	0.00	6,405	1.20

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

Supplementary Information

Boone County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 59,411	4	76,550	157,485
Receivables:				
Succeeding year property tax	-	-	-	-
Accounts	-	-	-	-
Drainage assessments	-	-	40,992	-
Due from other funds	326	-	-	-
Total assets	\$ 59,737	4	117,542	157,485
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,693	-	-	-
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	40,992	-
Total liabilities	3,693	-	40,992	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	56,044	4	76,550	157,485
Total fund balances	56,044	4	76,550	157,485
Total liabilities and fund balances	\$ 59,737	4	117,542	157,485

See accompanying independent auditor's report.

Special Revenue							
Task Force	Attorney Drug Prosecution	Tobacco and Alcohol Enforcement	Jail Commissary	Reserve Deputy	County TIF Project	Total	
77,923	13,923	2,013	74,621	4,334	73,902	540,166	
-	-	-	-	-	148,000	148,000	
-	1,214	-	452	400	-	2,066	
-	-	-	-	-	-	40,992	
-	-	-	-	-	-	326	
77,923	15,137	2,013	75,073	4,734	221,902	731,550	
951	951	-	25,249	-	-	30,844	
-	-	-	-	-	65,000	65,000	
-	-	-	-	-	148,000	148,000	
-	-	-	-	-	-	40,992	
951	951	-	25,249	-	213,000	284,836	
-	-	-	-	-	8,902	8,902	
76,972	14,186	2,013	49,824	4,734	-	437,812	
76,972	14,186	2,013	49,824	4,734	8,902	446,714	
77,923	15,137	2,013	75,073	4,734	221,902	731,550	

Boone County

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

Year ended June 30, 2012

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Resource Enhancement and Protection
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	-	-	-	7,362
Charges for service	5,710	-	-	-
Use of money and property	326	-	-	647
Miscellaneous	-	-	42,241	-
Total revenues	6,036	-	42,241	8,009
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	103,218	-
Governmental services to residents	4,068	-	-	-
Total expenditures	4,068	-	103,218	-
Excess (deficiency) of revenues over (under) expenditures	1,968	-	(60,977)	8,009
Other financing uses:				
Operating transfers out	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	1,968	-	(60,977)	8,009
Fund balances beginning of year	54,076	4	137,527	149,476
Fund balances end of year	\$ 56,044	4	76,550	157,485

See accompanying independent auditor's report.

Special Revenue							
Task Force	Attorney Drug Prosecution	Tobacco and Alcohol Enforcement	Jail Commissary	Reserve Deputy	County TIF Project		Total
-	-	-	-	-	73,643		73,643
-	-	1,940	-	-	-		9,302
-	-	-	-	-	-		5,710
-	-	-	-	-	-		973
5,670	9,116	-	24,635	6,730	-		88,392
5,670	9,116	1,940	24,635	6,730	73,643		178,020
7,122	4,052	7	36,225	4,558	-		51,964
-	-	-	-	-	-		103,218
-	-	-	-	-	-		4,068
7,122	4,052	7	36,225	4,558	-		159,250
(1,452)	5,064	1,933	(11,590)	2,172	73,643		18,770
-	-	-	-	-	(65,000)		(65,000)
(1,452)	5,064	1,933	(11,590)	2,172	8,643		(46,230)
78,424	9,122	80	61,414	2,562	259		492,944
76,972	14,186	2,013	49,824	4,734	8,902		446,714

Boone County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,990	407,539	196,183	6,965
Other County officials	36,519	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	738	2,175	71,433	2,544
Succeeding year	-	186,000	549,000	18,454,000	647,000
Accounts	775	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Total assets	\$ 37,294	188,728	958,714	18,721,616	656,509
Liabilities					
Accounts payable	\$ -	-	172	-	-
Salaries and benefits payable	-	-	7,018	-	-
Due to other funds	532	-	-	-	-
Due to other governments	24,628	188,728	924,804	18,721,616	656,509
Trusts payable	12,134	-	-	-	-
Compensated absences	-	-	26,720	-	-
Total liabilities	\$ 37,294	188,728	958,714	18,721,616	656,509

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
99,522	3,063	587,694	38,951	10,810	450,188	451,535	2,254,440
-	-	-	-	-	-	-	36,519
48,848	977	-	-	4,026	-	14	130,755
7,763,000	392,000	-	-	1,017,000	-	3,000	29,011,000
-	-	6,761	-	-	31,544	5,139	44,219
-	-	-	414,717	-	-	-	414,717
-	-	-	-	-	556	154,407	154,963
-	-	-	-	-	-	1,652	1,652
7,911,370	396,040	594,455	453,668	1,031,836	482,288	615,747	32,048,265
-	-	-	-	-	744	76,391	77,307
-	-	-	-	-	-	12,229	19,247
-	-	-	-	-	-	-	532
7,911,370	396,040	594,455	453,668	1,031,836	481,544	8,294	31,393,492
-	-	-	-	-	-	463,377	475,511
-	-	-	-	-	-	55,456	82,176
7,911,370	396,040	594,455	453,668	1,031,836	482,288	615,747	32,048,265

Boone County
 Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 41,530	191,796	950,819	18,550,918	669,447
Additions:					
Property and other county tax	-	185,883	550,113	18,454,933	647,693
E911 surcharge	-	-	-	-	-
State tax credits	-	6,589	19,481	653,662	23,089
Office fees and collections	883,776	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	(370)	-	-
Total additions	883,776	192,472	569,224	19,108,595	670,782
Deductions:					
Agency remittances:					
To other funds	345,182	-	-	-	-
To other governments	222,705	195,540	-	18,937,897	683,720
Trusts paid out	320,125	-	561,329	-	-
Total deductions	888,012	195,540	561,329	18,937,897	683,720
Balances end of year	\$ 37,294	188,728	958,714	18,721,616	656,509

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
8,000,733	369,485	745,034	430,617	1,039,277	422,801	627,417	32,039,874
7,726,533	395,723	-	-	1,019,188	-	2,643	28,982,709
-	-	-	-	-	101,347	-	101,347
264,758	11,541	-	-	35,795	-	128	1,015,043
-	-	-	-	-	-	7,529	891,305
-	-	6,969,943	-	-	-	-	6,969,943
-	-	-	161,847	-	-	-	161,847
-	-	-	-	-	-	1,293,971	1,293,971
-	-	-	-	-	30,990	2,115,751	2,146,371
7,991,291	407,264	6,969,943	161,847	1,054,983	132,337	3,420,022	41,562,536
-	-	246,567	-	-	-	-	591,749
8,080,654	380,709	6,873,955	138,796	1,062,424	72,850	5,195	36,654,445
-	-	-	-	-	-	3,426,497	4,307,951
8,080,654	380,709	7,120,522	138,796	1,062,424	72,850	3,431,692	41,554,145
7,911,370	396,040	594,455	453,668	1,031,836	482,288	615,747	32,048,265

Boone County

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

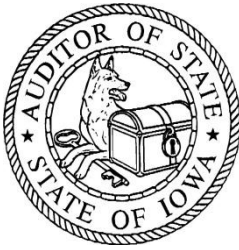
For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 7,624,140	7,362,020	6,833,940	6,482,896
Local option sales tax	870,967	813,991	770,944	824,876
Interest and penalty on property tax	68,321	78,801	97,131	85,812
Intergovernmental	7,383,576	6,752,826	6,721,779	6,350,624
Licenses and permits	19,645	17,730	15,170	17,324
Charges for service	914,070	947,402	946,631	951,013
Use of money and property	208,399	148,592	180,428	237,426
Miscellaneous	400,336	387,811	348,081	302,259
Total	<u>\$ 17,489,454</u>	<u>16,509,173</u>	<u>15,914,104</u>	<u>15,252,230</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,991,532	3,050,832	2,818,638	2,753,574
Physical health and social services	630,996	740,042	790,647	708,696
Mental health	2,476,470	2,455,192	2,200,563	2,510,866
County environment and education	2,068,863	2,278,691	1,551,519	945,822
Roads and transportation	5,298,333	5,254,482	5,514,468	4,767,579
Governmental services to residents	541,174	554,193	549,998	594,094
Administration	1,560,273	1,663,071	1,713,577	1,797,854
Debt service	1,716,334	642,994	3,816,125	2,101,810
Capital projects	700,074	311,292	1,294,297	234,620
Total	<u>\$ 17,984,049</u>	<u>16,950,789</u>	<u>20,249,832</u>	<u>16,414,915</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
6,145,257	5,678,758	5,391,529	5,355,382	5,316,332	5,129,145
828,151	790,831	726,317	732,977	697,173	681,719
93,048	76,918	71,901	62,876	66,697	64,522
6,196,573	6,177,965	5,518,447	5,758,477	4,640,729	4,569,465
18,631	25,821	20,933	15,067	60,808	14,598
932,813	916,158	926,680	942,470	884,787	869,192
276,241	343,410	242,346	158,099	129,254	151,049
231,978	257,996	198,900	540,830	212,419	293,260
14,722,692	14,267,857	13,097,053	13,566,178	12,008,199	11,772,950
2,685,812	2,507,524	2,393,530	2,117,985	2,013,154	1,927,982
639,097	660,704	610,980	583,588	597,127	620,149
2,986,700	2,671,208	2,479,313	2,341,752	2,005,825	2,136,380
926,932	933,921	857,742	787,105	758,079	742,442
4,831,699	4,322,499	3,881,757	3,990,145	3,581,862	3,602,048
497,320	495,947	666,018	510,074	470,870	455,664
1,591,002	1,338,419	1,217,653	1,202,257	1,064,871	998,490
610,659	417,958	416,895	433,595	843,108	431,149
653,859	3,113,667	474,175	1,905,106	706,865	1,627,172
15,423,080	16,461,847	12,998,063	13,871,607	12,041,761	12,541,476

Boone County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified 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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

Compliance and Other Matters

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

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


Boone County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Boone 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 Boone County and other parties to whom Boone County may report. This report 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 Boone 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

February 19, 2013

Boone County

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing 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. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – collecting, depositing, posting and daily reconciling.	County Recorder
(2) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	County Treasurer
(3) Receipts – posting, depositing and monthly reconciling	County Agricultural Extension Office

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Recorder, the County Treasurer and the County Agricultural Extension Office should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available personnel from other offices, including elected officials.

Responses –

County Recorder – In regard to segregation of duties, when we balance for the day, it is not always the same person who does the same task. We try to let everyone know how to handle that duty. Two of us in the office can do the deposits. One of us prepares the deposit for the bank and the other person enters the information in the computer.

County Treasurer – It is necessary for everyone in the office to assist customers and collect money at the counter, including the Treasurer. There are a limited number of employees in the office during lunch hours, especially when we have employees gone for vacation or sick. Everyone balances their own cash drawer separately and the day’s total business is balanced altogether either by the County Treasurer or First Deputy. The Treasurer does the month-end process and apportionment business.

The Treasurer’s office reconciles all accounts monthly. Our reconciliation has been to balance our records to the bank statement. We use the bank reconciliation program available through Solutions software. We compare the Treasurer’s bank register as checks clear and deposit totals are compared to see that they correspond with the bank statement totals. We balance and our

Boone County

Schedule of Findings

Year ended June 30, 2012

totals match exactly every month with all bank accounts when comparing our bank totals to theirs allowing for outstanding checks, deposits in transit, and interest earned.

It has been pointed out by the State Auditor's Office the bank reconciliation also needs to be compared to the general ledger. The State Auditor's Office has provided me with guidance on how to do that. We will be implementing this procedure immediately.

County Agricultural Extension Office – The Boone County ISU Extension & Outreach Program Coordinator will review and initial the bank reconciliation once the monthly reconciliation has been completed by the Boone County ISU Extension & Outreach bookkeeper.

Conclusions –

County Recorder and County Treasurer – Responses acknowledged. To improve segregation of duties, someone independent of receipt collection should perform the reconciliation. Evidence of this independent review should be retained.

County Agricultural Extension Office – Response accepted.

(B) County Recorder – Monthly book to bank reconciliations were not performed.

Recommendation – The County Recorder should ensure the monthly bank reconciliations are prepared, retained and reviewed by an independent person, as evidenced by the signature or initials of the reviewer and the date of the review. Variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. Also, all reconciling items between the book and bank balances should be documented each month, including an accounts receivable listing at the end of each month. In addition, the book balance should be reconciled to a listing of month end liabilities.

Response – Concerning the monthly bank reconciliations, we have corrected the June 30, 2012 bank statement and completed the reconciliation on the back of the bank statement. We use several different reports to see our bank balance reflects the deposits and the month end liabilities.

Conclusion – Response accepted.

(C) Central Iowa Expo, Inc. Loan Guarantees – The County has entered into various financing agreements with Central Iowa Expo, Inc. (CIE) to guarantee up to \$2,700,000 of CIE debt. CIE has failed to make required debt payments. The following were noted:

- The County did not receive a timely request from CIE requesting the County make a debt payment under the guarantee.
- The County did not receive a request, as required, to retain certain pledges received after January 1, 2010 and has not received the required monthly pledge receipt information.

Boone County

Schedule of Findings

Year ended June 30, 2012

- The audit of CIE identified a material weakness in internal control.

Recommendation – The Board should ensure Central Iowa Expo, Inc. complies with written agreements.

Response – The County is in negotiations with CIE, the State of Iowa and others working on a solution to make CIE viable.

Conclusion – Response accepted.

- (D) Timely Deposit – Certain receipts were not deposited timely by the County Sheriff, County Engineer, Public Health and the Empowerment Board.

Recommendation – All receipts should be deposited timely and quarterly report fees and collections should be remitted to the County Treasurer timely.

Responses –

County Sheriff – All checks will be deposited in a timely manner.

County Engineer – Future receipts will be taken to the County Treasurer's Office as soon as they are received.

Public Health – Deposits as pass through funding warrants may not be deposited in a timely manner because it may go to the County Hospital first or may be misrouted by the U.S. Postal Service.

Empowerment Board – Current practice is to have the state funds sent directly to the Story County Auditor. The auditor deposits the funds and sends a report to the newly established BooSt office in Story County. The BooSt office does not have a checking or a credit account. Therefore, all financial transactions are handled and recorded by the Story County Treasurer. Generally claims submitted to the BooSt office are sent to the Story County Auditor within three business days to be paid. The County has established the practice of invoicing for any services provided to BooSt, such as phone service and fiscal agent fees.

Conclusions – Responses accepted.

- (E) Empowerment Board – Supporting Documentation and Approval – The Empowerment Board contracts with nine providers for School Ready and Early Childhood Iowa programs. The contracts require detailed monthly invoices be submitted prior to payment. The invoices are to be submitted to the Empowerment Board Head, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Certain claims tested did not have adequate supporting documentation.

Recommendation – All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts and to document the public purpose served by the disbursement.

Boone County

Schedule of Findings

Year ended June 30, 2012

Response – Current contracts clearly specify invoices are to be submitted with adequate documentation to support the claim. The Area Director reviews each invoice prior to submission to the County Auditor. When there is a question about a claim the provider is contacted to clarify the issue. The original invoice and supporting documents are kept on file at the BooSt office. A copy of the claim and a signed invoice is submitted to the County Auditor. We also require any claims submitted by the Area Director be reviewed and counter signed by the Board Chair. In addition, the BooSt office assigns a unique number to each invoice so if there is a question about a claim the invoice and supporting documentation can be readily retrieved.

Conclusion – Response accepted.

- (F) Early Childhood Iowa Annual Financial Report – Fund Balances – Chapter 256I.8 of the Code of Iowa requires the Early Childhood Iowa Area Board (Empowerment Board) to submit an annual report on the effectiveness of the community plan in addressing school readiness and children’s health and safety needs to the state board and to the local government bodies in the area. An annual report template is provided on the Early Childhood Iowa website maintained by the Department of Management.

The annual report submitted for the year ended June 30, 2012 did not reconcile to the Board’s financial activity. In addition, underlying support for reported figures was not readily available and there was no evidence of review by the Empowerment Board prior to submitting the annual report.

Recommendation – The Board should prepare the annual report from the reconciled underlying financial activity. Supporting schedules should be retained. In addition, the Board should contact the Early Childhood Iowa Office within the Department of Management to resolve the matter.

Response – After meeting with the previous Area Director and the County Auditor, I believe the Early Childhood Area did not have a process in place to reconcile their books with the County Auditor’s records. This will not be a problem in fiscal year 2013 because we are starting the year with a zero balance. To ensure this will not happen in the future, the Board, ECI staff and the new fiscal agent will develop written policies which outline the steps we will take to reconcile BooSt Together for Children’s financial records with the financial records maintained by the Story County Auditor. Some of the steps we have discussed include:

- Creating accounting codes which accurately reflect the BooSt budget.
- Obtaining a monthly disbursement register to match warrants against submitted invoices.
- Obtaining a complete record of all expenses and revenues after the fiscal year 2013 books are closed.
- Submitting the state report after BooSt has reconciled its records with the county’s reports.

Boone County

Schedule of Findings

Year ended June 30, 2012

Conclusion – Response acknowledged. The Board should contact the Early Childhood Iowa Office within the Department of Management to resolve the matter.

- (G) Clothing Allowances – Clothing allowances are paid to deputies in the Sheriff's Office. The reimbursements were not paid through payroll. Therefore, they were not subject to withholdings or reported as wages.

Recommendation – The County should consult the Internal Revenue Service (IRS) regarding the disposition of this matter. Also, non-qualified clothing allowances should be paid through payroll to ensure proper withholding.

Response – The County is aware unqualified clothing is taxable to the employee. Union contracts have clothing allowances. The County Accounts Payable Deputy will review clothing allowance claims and submit charges to payroll if they are not a required uniform. The County Auditor's Office will share a copy of this response with all departments.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Boone County

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County should have amended the budget at the same time we issued bonds to refinance the CIE Expo debt obligations. This would have addressed both concerns above. The County will make sure we do an amendment anytime a refinancing of debt obligations take place.

Conclusion – Response accepted.

- (2) 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.

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

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

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Steve Duffy, member of Board of Supervisors, Owner of Duffy’s Inc.	Office and radio equipment	\$ 1,400

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Duffy’s, Inc. does not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year.

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

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. Although minutes of the Board proceedings were published, a copy of the proceedings was not always furnished to the official newspaper within one week following adjournment of the Board, as required by Chapter 349.18 of the Code of Iowa.

Recommendation – A copy of the proceedings to be published should be furnished within one week following adjournment of the Board, as required by Chapter 349.18 of the Code of Iowa.

Boone County

Schedule of Findings

Year ended June 30, 2012

Response – The Board of Supervisors meets every Wednesday, and approves the minutes from the previous meeting. The Board Secretary sends the approved minutes on Wednesday (day approved). Auditor will ask Board to review draft minutes by Monday and send them for publication by 12:00 noon on Monday.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County chose not to dedicate property tax revenue to conservation purposes to the extent 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).

The County produces a significant amount of revenue in its Conservation Department through camping and golf fees. This revenue is used to offset conservation expenses in lieu of property tax revenue.

- (9) Solid Waste Fees Retainage – During the year ended June 30, 2012, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (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, 2012 for the County Extension Office did not exceed the amount budgeted.

Boone County

Schedule of Findings

Year ended June 30, 2012

- (11) Financial Assurance – The Boone County Landfill has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	Original Area		Expansion Area		Total
	Closure	Postclosure	Closure	Postclosure	
Total estimated costs for closure and postclosure care	\$189,100	783,000	1,457,100	768,000	3,197,200
Less: Amounts held in the local dedicated fund at June 30, 2011	(190,000)	(802,500)	(1,480,367)	(793,487)	3,266,354
Reallocation of amounts held based on current estimated costs	900	19,500	(900)	(19,500)	-
Amounts required to be held in the local dedicated fund at June 30, 2012	\$189,100	783,000	1,457,100	768,000	3,197,200
Amounts restricted for closure and postclosure care at June 30, 2012	\$189,100	783,000	1,528,140	805,443	3,305,683

- (12) Early Childhood Iowa Area Board – Boone County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

Certain expenditures of \$1,801 for food and refreshments for meetings were noted which may not meet the purpose for which the grants were provided.

Recommendation – The Area Board should determine and document how these expenditures meet the intended purpose of the grants before authorizing any further payments.

Response – The Area Director will recommend the Board of Directors adopt a policy that meals will not be provided at regular meetings of the Board. If the Board feels there are exceptional circumstances when providing a meal will further the legislated aims stated in legislation, that will be outlined in the Board’s policy. For example, the Board may want to hold a public forum for parents in the ECI area. They may want to provide a meal and childcare to facilitate parent participation. Or the Board may want to participate in a community event for children in preschool. In such cases, it will be clearly documented how the event fits with the goals and objectives established by the Board.

Conclusion – Response accepted.

Boone County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Michael R. Field, Senior Auditor
Leanna J. Showman, Staff Auditor
Justin M. Scherrman, Staff Auditor
Hannah K. Haas, Assistant Auditor
Margaret E. Schlerman, Assistant Auditor
Ryan J. Pitham, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State