



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 21, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on Page County, Iowa.

The County had local tax revenue of \$18,382,397 for the year ended June 30, 2012, which included \$836,554 in tax credits from the state. The County forwarded \$14,096,840 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,285,557 of the local tax revenue to finance County operations, a 6.9% increase over the prior year. Other revenues included charges for service of \$633,227, operating grants, contributions and restricted interest of \$4,630,885, capital grants, contributions and restricted interest of \$1,906,486, unrestricted investment earnings of \$23,635, local option sales tax of \$375,357, gain on disposition of capital assets of \$13,335 and other general revenues of \$103,259.

Expenses for County operations totaled \$10,793,058, a 7.6% decrease from the prior year. Expenses included \$4,522,438 for roads and transportation, \$2,107,655 for mental health and \$1,611,104 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0073-B00F.pdf>.

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

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Page County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Elaine Armstrong	Board of Supervisors	Jan 2013
Jon W. Herzberg	Board of Supervisors	Jan 2013
James D. Richardson	Board of Supervisors	Jan 2015
Melissa Wellhausen (Appointed)	County Auditor	Nov 2012
Kim Behrens	County Treasurer	Jan 2015
Brenda Esaias	County Recorder	Jan 2015
Lyle Palmer	County Sheriff	Jan 2013
Jeremy Peterson	County Attorney	Jan 2015
Peggy Smith	County Assessor	Jan 2016

Page County



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Independent Auditor's Report

To the Officials of Page County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Page 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 Page County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

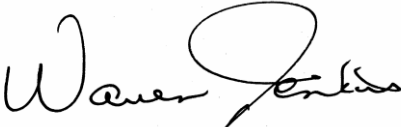
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Page County at June 30, 2012, and the respective changes in financial position 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 April 3, 2013 on our consideration of Page 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 13 and 40 through 44 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 on it or provide any assurance on the required supplementary information because the limited procedures do not provide 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 Page 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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of supplies inventory for the Secondary Roads Fund. 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 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.



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Page County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased less than 1%, or approximately \$50,000, from fiscal year 2011 to fiscal year 2012. Property tax and capital grants, contributions and restricted interest increased approximately \$264,000 and \$1,143,000, respectively. These increases were offset by a decrease in operating grants, contributions and restricted interest of approximately \$1,252,000.
- Program expenses of the County's governmental activities were 8%, or approximately \$893,000, less in fiscal year 2012 than in fiscal year 2011. Roads and transportation expenses decreased approximately \$602,000 and public safety and legal services expenses increased approximately \$473,000.
- The County's net assets increased 7%, or approximately \$1,179,000, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Page County's combined net assets strengthened from a year ago, increasing approximately \$1,179,000 to approximately \$17,602,000. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 10,850,785	11,149,852
Capital assets	13,225,921	11,884,369
Total assets	<u>24,076,706</u>	<u>23,034,221</u>
Long-term liabilities	1,653,737	1,753,943
Other liabilities	4,820,840	4,856,832
Total liabilities	<u>6,474,577</u>	<u>6,610,775</u>
Net assets:		
Invested in capital assets	13,225,921	11,884,369
Restricted	3,578,960	3,918,816
Unrestricted	<u>797,248</u>	<u>620,261</u>
Total net assets	<u>\$ 17,602,129</u>	<u>16,423,446</u>

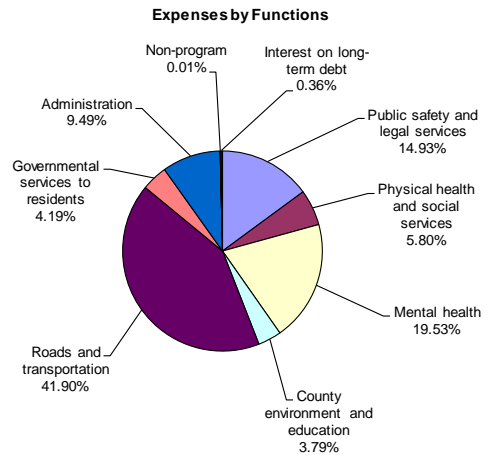
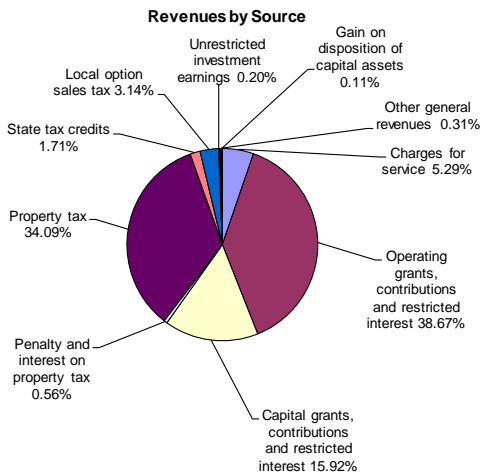
The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, equipment and construction in progress). This net asset component increased approximately \$1,342,000 over the prior year, or 11.3%.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component decreased approximately \$340,000, or 8.7%, from the prior year. This decrease is primarily due to decreases in net assets restricted for mental health and secondary road purposes.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$620,000 at June 30, 2011 to approximately \$797,000 at the end of this year, an increase of 29%. The increase was a result of a decrease in the amount of general obligation capital loan notes outstanding at year end.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 633,227	630,912
Operating grants, contributions and restricted interest	4,630,885	5,882,596
Capital grants, contributions and restricted interest	1,906,486	763,962
General revenues:		
Property tax	4,080,993	3,816,518
Penalty and interest on property tax	66,722	63,602
State tax credits	204,564	192,296
Local option sales tax	375,357	392,797
Unrestricted investment earnings	23,635	39,999
Gain on disposition of capital assets	13,335	199,893
Other general revenues	36,537	38,889
Total revenues	11,971,741	12,021,464
Program expenses:		
Public safety and legal services	1,611,104	2,084,443
Physical health and social services	626,020	639,994
Mental health	2,107,655	1,874,138
County environment and education	409,053	454,000
Roads and transportation	4,522,438	5,124,643
Governmental services to residents	452,763	452,949
Administration	1,024,169	1,014,071
Non-program	1,354	3,287
Interest on long-term debt	38,502	39,014
Total expenses	10,793,058	11,686,539
Increase in net assets	1,178,683	334,925
Net assets beginning of year	16,423,446	16,088,521
Net assets end of year	\$ 17,602,129	16,423,446



Page County's net assets of governmental activities increased approximately \$1,179,000 during the year. Revenues for governmental activities decreased approximately \$50,000 from the prior year. Property tax and capital grants, contributions and restricted interest increased approximately \$264,000 and \$1,143,000, respectively. These increases were offset by a decrease in operating grants, contributions and restricted interest of approximately \$1,252,000. The increase in capital grants, contributions and restricted interest was primarily due to an increase in infrastructure assets contributed by the Iowa Department of Transportation. The decrease in operating grants, contributions and restricted interest was primarily due to a decrease in revenues from the emergency watershed protection program.

The cost of all governmental activities this year was approximately \$10.8 million compared to approximately \$11.7 million last year, an 8% decrease. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for governmental activities was approximately \$3.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$633,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,537,000). Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$7,277,000 to approximately \$7,171,000. The County paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Page County completed the year, its governmental funds reported a combined fund balance of approximately \$5.8 million, a decrease of approximately \$393,000 below last year's total of approximately \$6.2 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Page County, ended the current year with a balance of \$2,226,600, a decrease from the prior year ending balance of \$2,254,821. Expenditures decreased approximately \$545,000, or 12.5%, from the prior year. The decrease in expenditures is primarily related to payments made in the prior year from the general obligation capital loan note proceeds to the E911 Fund to purchase equipment. The taxable property valuation increased from \$543,498,850 in fiscal year 2011 to \$565,136,991 in fiscal year 2012. The General Fund levy rate remained at \$3.50000 per \$1,000 of taxable valuation in fiscal year 2012.
- Page County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2012 ended with a \$577,574 balance, a decrease of \$35,977 from the prior year ending balance of \$613,551. Intergovernmental revenue decreased \$74,055 while other revenues decreased \$2,506. Expenditures for fiscal year 2012 increased \$216,149, or 12%, over fiscal year 2011 due to increased client services. The fiscal year 2012 mental health levy rate of \$1.14352 per \$1,000 of taxable valuation decreased \$.04370 per \$1,000 of taxable valuation from the fiscal year 2011 levy rate.
- The Special Revenue, Rural Services Fund ended fiscal year 2012 with a \$59,875 balance compared to the fiscal year 2011 ending balance of \$81,103, a decrease of \$21,228, or 26.2%. Revenues decreased \$105,512 while expenditures decreased \$6,445 from the prior year. The local option sales tax received and credited to the Rural Services Fund meets the requirements of the referendum for property tax relief.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a \$2,374,417 balance compared to the prior year ending balance of \$2,686,866, a decrease of \$312,449, or 11.6%. Revenues decreased \$2,247,751 from fiscal year 2011 while expenditures decreased \$1,525,021, or 27.9%. The decrease in revenues and expenditures was primarily due to emergency watershed protection and FEMA projects in the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Page County amended its budget two times. The amendments were in February 2012 and June 2012. The first amendment resulted in an increase in budgeted disbursements of \$1,038,015. Budgeted disbursements increased for public safety and legal services (\$20,000), physical health and social services (\$29,470), mental health (\$488,883), county environment and education (\$21,113), roads and transportation (\$448,549) and administration (\$30,000). Intergovernmental budgeted receipts increased \$490,883 and miscellaneous budgeted receipts increased \$34,514. The changes were due to mental health funding changes, secondary road fuel and labor overages, building improvements from local option sales tax and the hospitalization of an inmate.

The second amendment resulted in an increase in budgeted disbursements of \$57,374. Budgeted disbursements increased for county environment and education (\$41,139), governmental services to residents (\$7,010) and administration (\$9,225). Miscellaneous budgeted receipts increased \$7,010. The changes were the result of increased disbursements for Rapp Park, local elections and roof repairs.

Overall, the County's receipts were \$360,876 less than budgeted, a variance of 3.5%. The most significant variance resulted from the County receiving approximately \$308,034 less in intergovernmental receipts than anticipated.

Total disbursements were \$1,013,997 less than the amended budget. Actual disbursements for the mental health, roads and transportation and administration functions were \$382,531, \$198,774 and \$126,261, respectively, less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Page County had approximately \$13.2 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is an increase of \$1,341,552 over the prior year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 874,232	874,232
Buildings and improvements	2,466,482	2,493,693
Equipment and vehicles	1,827,392	2,208,638
Infrastructure	8,057,815	6,307,806
Total	<u>\$ 13,225,921</u>	<u>11,884,369</u>

Page County's depreciation expense totaled \$963,908 in fiscal year 2012 and total accumulated depreciation was \$7,763,311 at June 30, 2012. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-term Debt

At June 30, 2012, Page County had \$1,085,000 of general obligation capital loan note debt outstanding compared to \$1,255,000 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2012	2011
General obligation capital loan notes	<u>\$ 1,085,000</u>	<u>1,255,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Page County's outstanding debt of \$1,085,000 is significantly below its constitutional debt limit of approximately \$45.3 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Page County's elected and appointed officials and citizens considered many factors when setting the county budget, tax rates and fees that apply for the various county services. One of those factors is the economy. Unemployment in the County now stands at 5.2% versus 5.8% a year ago. This compares to the State's unemployment rate of 5.3% and the national rate of 8.2%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$15.2 million, a decrease of 5.2% from the final fiscal year 2012 budget. Budgeted disbursements are expected to decrease approximately \$35,000, or .3%. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$233,000 by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Page County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Wellhausen at the Page County Auditor's Office, by mail at 112 E. Main, Clarinda, Iowa 51632 or by telephone at (712) 542-3219.

Page County

Basic Financial Statements

Page County
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Cash and pooled investments	\$ 4,940,347
Receivables:	
Property tax:	
Delinquent	27,001
Succeeding year	4,339,000
Interest and penalty on property tax	51,814
Accounts	122,751
Loan	665,000
Due from other governments	361,461
Inventories	343,411
Capital assets, net of accumulated depreciation	13,225,921
Total assets	24,076,706
Liabilities	
Accounts payable	196,054
Salaries and benefits payable	72,079
Accrued interest payable	2,805
Due to other governments	210,902
Deferred revenue:	
Succeeding year property tax	4,339,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	175,000
Compensated absences	135,022
Portion due or payable after one year:	
General obligation capital loan notes	910,000
Compensated absences	210,715
Net OPEB liability	223,000
Total liabilities	6,474,577
Net Assets	
Invested in capital assets	13,225,921
Restricted for:	
Supplemental levy purposes	148,099
Mental health purposes	555,004
Rural services purposes	45,440
Secondary roads purposes	2,224,462
Other purposes	605,955
Unrestricted	797,248
Total net assets	\$ 17,602,129

See notes to financial statements.

Page County

Statement of Activities

Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,611,104	121,383	38,543	-	(1,451,178)
Physical health and social services	626,020	72,151	252,167	-	(301,702)
Mental health	2,107,655	-	1,408,752	-	(698,903)
County environment and education	409,053	82,893	11,910	-	(314,250)
Roads and transportation	4,522,438	76,654	2,883,559	1,906,486	344,261
Governmental services to residents	452,763	253,277	-	-	(199,486)
Administration	1,024,169	26,869	-	-	(997,300)
Non-program	1,354	-	-	-	(1,354)
Interest on long-term debt	38,502	-	35,954	-	(2,548)
Total	\$ 10,793,058	633,227	4,630,885	1,906,486	(3,622,460)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,977,337
Debt service					103,656
Penalty and interest on property tax					66,722
State tax credits					204,564
Local option sales tax					375,357
Unrestricted investment earnings					23,635
Gain on disposition of capital assets					13,335
Miscellaneous					36,537
Total general revenues					4,801,143
Change in net assets					1,178,683
Net assets beginning of year					16,423,446
Net assets end of year					\$ 17,602,129

See notes to financial statements.

Page County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,558,303	820,102	62,527
Receivables:			
Property tax:			
Delinquent	20,050	4,465	1,719
Succeeding year	2,769,000	616,000	848,000
Interest and penalty on property tax	51,814	-	-
Accounts	9,229	-	912
Loan	665,000	-	-
Due from other governments	86,452	28,243	5
Due from other funds	2,446	-	-
Inventories			
Total assets	\$ 5,162,294	1,468,810	913,163
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 28,838	78,452	1,402
Salaries and benefits payable	43,547	4,890	1,890
Due to other governments	13,552	187,667	351
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	2,769,000	616,000	848,000
Other	80,757	4,227	1,645
Total liabilities	2,935,694	891,236	853,288
Fund balances:			
Nonspendable - Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	259,146	-	-
Mental health purposes	-	577,574	-
Rural services purposes	-	-	59,875
Secondary roads purposes	-	-	-
Local option sales tax purposes	-	-	-
Drainage purposes	-	-	-
Conservation land acquisition	8,196	-	-
Debt service	665,000	-	-
Other purposes	-	-	-
Committed for capital projects	40,460	-	-
Unassigned	1,253,798	-	-
Total fund balances	2,226,600	577,574	59,875
Total liabilities and fund balances	\$ 5,162,294	1,468,810	913,163

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,964,372	535,043	4,940,347
-	767	27,001
-	106,000	4,339,000
-	-	51,814
112,610	-	122,751
-	-	665,000
183,859	62,902	361,461
-	-	2,446
343,411	-	343,411
<u>2,604,252</u>	<u>704,712</u>	<u>10,853,231</u>
87,362	-	196,054
21,752	-	72,079
9,332	-	210,902
-	2,446	2,446
-	106,000	4,339,000
111,389	727	198,745
<u>229,835</u>	<u>109,173</u>	<u>5,019,226</u>
343,411	-	343,411
-	-	259,146
-	-	577,574
-	-	59,875
2,031,006	-	2,031,006
-	524,412	524,412
-	57,667	57,667
-	-	8,196
-	219	665,219
-	15,680	15,680
-	-	40,460
-	(2,439)	1,251,359
<u>2,374,417</u>	<u>595,539</u>	<u>5,834,005</u>
<u>2,604,252</u>	<u>704,712</u>	<u>10,853,231</u>

Page County

Page County

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

June 30, 2012

Total governmental fund balances (page 19)	\$ 5,834,005
<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 \$20,989,232 and the accumulated depreciation is \$7,763,311.	13,225,921
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	198,745
Long-term liabilities, including general obligation capital loan 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>(1,656,542)</u>
Net assets of governmental activities (page 16)	<u>\$ 17,602,129</u>

See notes to financial statements.

Page County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,625,028	616,323	733,155
Local option sales tax	-	-	-
Interest and penalty on property tax	56,356	-	-
Intergovernmental	449,279	1,437,157	63,240
Licenses and permits	607	-	26,035
Charges for service	350,628	-	-
Use of money and property	58,099	-	-
Miscellaneous	141,754	1,966	1,704
Total revenues	3,681,751	2,055,446	824,134
Expenditures:			
Operating:			
Public safety and legal services	1,474,278	-	92,068
Physical health and social services	559,318	-	62,959
Mental health	-	2,091,423	-
County environment and education	281,011	-	46,940
Roads and transportation	-	-	-
Governmental services to residents	452,616	-	3,056
Administration	959,367	-	3,387
Non-program	1,354	-	-
Debt service	100,275	-	-
Capital projects	-	-	-
Total expenditures	3,828,219	2,091,423	208,410
Excess (deficiency) of revenues over (under) expenditures	(146,468)	(35,977)	615,724
Other financing sources (uses):			
Sale of capital assets	2,110	-	-
Operating transfers in	116,137	-	110,000
Operating transfers out	-	-	(746,952)
Total other financing sources (uses)	118,247	-	(636,952)
Change in fund balances	(28,221)	(35,977)	(21,228)
Fund balances beginning of year	2,254,821	613,551	81,103
Fund balances end of year	\$ 2,226,600	577,574	59,875

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	103,656	4,078,162
-	375,357	375,357
-	-	56,356
2,772,170	16,778	4,738,624
1,390	-	28,032
32,455	3,774	386,857
-	411	58,510
42,809	9,922	198,155
<u>2,848,824</u>	<u>509,898</u>	<u>9,920,053</u>
-	-	1,566,346
-	-	622,277
-	-	2,091,423
-	77,101	405,052
3,438,999	-	3,438,999
-	-	455,672
-	53,390	1,016,144
-	-	1,354
-	108,576	208,851
509,226	-	509,226
<u>3,948,225</u>	<u>239,067</u>	<u>10,315,344</u>
<u>(1,099,401)</u>	<u>270,831</u>	<u>(395,291)</u>
-	-	2,110
786,952	-	1,013,089
-	(266,137)	(1,013,089)
<u>786,952</u>	<u>(266,137)</u>	<u>2,110</u>
(312,449)	4,694	(393,181)
<u>2,686,866</u>	<u>590,845</u>	<u>6,227,186</u>
<u>2,374,417</u>	<u>595,539</u>	<u>5,834,005</u>

Page 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 23) \$ (393,181)

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

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

Expenditures for capital assets	\$ 385,639	
Capital assets contributed by the Iowa Department of Transportation	1,906,486	
Depreciation expense	<u>(963,908)</u>	1,328,217

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. 13,335

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

Property tax	2,831	
Other	<u>126,926</u>	129,757

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. 170,000

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	6,206	
Other postemployment benefits	(76,000)	
Interest on long-term debt	<u>349</u>	<u>(69,445)</u>

Change in net assets of governmental activities (page 17) \$ 1,178,683

See notes to financial statements.

Page County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,077,336
Other County officials	17,092
Receivables:	
Property tax:	
Delinquent	123,645
Succeeding year	13,458,000
Accounts	15,507
Special assessments	4,034
Due from other governments	11,887
Total assets	14,707,501
 Liabilities	
Accounts payable	7,757
Salaries and benefits payable	3,478
Due to other governments	14,537,646
Trusts payable	147,372
Compensated absences	11,248
Total liabilities	14,707,501
Net assets	\$ -

See notes to financial statements.

Page County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Page 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, Page 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 Page 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.

Eleven 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 Page 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 Page 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: Page County Assessor’s Conference Board, Page County Emergency Management Commission, Page County Joint E911 Service Board and Corner Counties Empowerment Area. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Page County Landfill and Juvenile Detention Center. The County also participates in the following jointly governed organizations: Alcohol Assistance Agency, 4th Judicial District Department of Correctional Services, Golden Hills Resource Conservation and Development, Southwest Iowa Planning Council, Decategorization and West Central Development Corporation.

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 consists of capital assets, net of accumulated depreciation.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds 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.

Additionally, the County reports the following funds:

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 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 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 and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 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 in the Special Revenue Funds 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, road network	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	40 - 50
Infrastructure, road network	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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 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 nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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 in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

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.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(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: Resource Enhancement and Protection	<u>\$ 2,446</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
General	Special Revenue: Local Option Sales Tax	<u>\$ 116,137</u>
Special Revenue: Rural Services	Special Revenue: Local Option Sales Tax	<u>110,000</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales Tax	<u>746,952</u> <u>40,000</u> <u>786,952</u>
Total		<u><u>\$ 1,013,089</u></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 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 874,232	-	-	874,232
Construction in progress	-	2,129,476	(2,129,476)	-
Total capital assets not being depreciated	874,232	2,129,476	(2,129,476)	874,232
Capital assets being depreciated:				
Buildings and improvements	4,620,050	84,999	-	4,705,049
Equipment and vehicles	5,684,149	100,850	(87,693)	5,697,306
Infrastructure, road network	7,583,169	2,129,476	-	9,712,645
Total capital assets being depreciated	17,887,368	2,315,325	(87,693)	20,115,000
Less accumulated depreciation for:				
Buildings and improvements	2,126,357	112,210	-	2,238,567
Equipment and vehicles	3,475,511	472,231	(77,828)	3,869,914
Infrastructure, road network	1,275,363	379,467	-	1,654,830
Total accumulated depreciation	6,877,231	963,908	(77,828)	7,763,311
Total capital assets being depreciated, net	11,010,137	1,351,417	(9,865)	12,351,689
Governmental activities capital assets, net	\$ 11,884,369	3,480,893	(2,139,341)	13,225,921

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,670
Physical health and social services	1,570
Mental health	9,305
County environment and education	18,414
Roads and transportation	776,054
Administration	100,895
Total depreciation expense - governmental activities	<u>\$ 963,908</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	\$ 13,552
Special Revenue:		
Mental Health	Services	187,667
Rural Services	Services	351
Secondary Roads	Services	9,332
		<u>197,350</u>
Total for governmental funds		<u>\$ 210,902</u>
Agency:		
County Assessor	Collections	\$ 327,889
Schools		7,908,362
Community Colleges		635,121
Corporations		4,701,354
Townships		153,864
Auto License and Use Tax		301,050
All other		510,006
Total for agency funds		<u>\$ 14,537,646</u>

(7) Long-Term Liabilities

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

	General Obligation Capital Loan Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 1,255,000	351,943	147,000	1,753,943
Increases	-	194,588	89,000	283,588
Decreases	170,000	200,794	13,000	383,794
Balance end of year	\$ 1,085,000	345,737	223,000	1,653,737
Due within one year	\$ 175,000	135,022	-	310,022

General Obligation Capital Loan Notes

Details of the County's June 30, 2012 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Landfill Issued February 1, 2007			Emergency Equipment Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	3.85%	\$ 75,000	27,080	1.50%	\$ 100,000	6,575
2014	3.90	55,000	24,193	1.50	105,000	5,075
2015	3.95	60,000	22,048	1.50	105,000	3,500
2016	4.00	60,000	19,678	1.75	110,000	1,925
2017	4.05	60,000	17,277		-	-
2018-2022	4.10-4.25	355,000	45,832		-	-
Total		\$ 665,000	156,108		\$ 420,000	17,075

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 175,000	33,655	208,655
2014	160,000	29,268	189,268
2015	165,000	25,548	190,548
2016	170,000	21,603	191,603
2017	60,000	17,277	77,277
2018-2022	355,000	45,832	400,832
Total	\$ 1,085,000	173,183	1,258,183

During the year ended June 30, 2012, the County retired \$170,000 of general obligation capital loan notes.

The Page County Landfill has agreed to pay the County the principal and interest on the capital loan notes issued February 1, 2007 as they become due. The County reports a loan receivable in the General Fund equal to the principal outstanding on the general obligation capital loan notes.

(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 annual 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 \$271,664, \$229,090 and \$214,960, 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 79 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would 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 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 determined using the alternate measurement method permitted by 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	\$ 89,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	<u>89,000</u>
Contributions made	<u>(13,000)</u>
Increase in net OPEB obligation	76,000
Net OPEB obligation beginning of year	<u>147,000</u>
Net OPEB obligation end of year	<u><u>\$ 223,000</u></u>

For the year ended June 30, 2012, the County contributed \$13,000 to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 88,518	16.5%	\$ 73,897
2011	89,000	17.9	147,000
2012	89,000	14.6	223,000

Funded Status and Funding Progress – As of June 30, 2012, the actuarial accrued liability was \$651,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$651,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,633,000 and the ratio of the UAAL to covered payroll was 24.7%. 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 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, 2009 actuarial valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, projected to 2010 using scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan range from \$562 to \$1,258 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 \$99,958.

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 \$250,000, 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) Pending Litigation

The County is defendant in four lawsuits seeking approximately \$2,190,000 in damages. The probability and amount of loss, if any, is indeterminable.

(12) Financial Condition

The Special Revenue, Resource Enhancement and Protection Fund had an unassigned deficit fund balance of \$2,439 at June 30, 2012. The County plans to eliminate the deficit with future revenues.

Required Supplementary Information

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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	\$ 4,458,805	-	4,458,805
Interest and penalty on property tax	56,755	-	56,755
Intergovernmental	4,762,188	-	4,762,188
Licenses and permits	29,152	-	29,152
Charges for service	385,524	-	385,524
Use of money and property	60,123	228	59,895
Miscellaneous	268,877	4,244	264,633
Total receipts	<u>10,021,424</u>	<u>4,472</u>	<u>10,016,952</u>
Disbursements:			
Public safety and legal services	1,591,023	-	1,591,023
Physical health and social services	617,838	-	617,838
Mental health	2,081,667	-	2,081,667
County environment and education	414,430	-	414,430
Roads and transportation	3,641,895	-	3,641,895
Governmental services to residents	463,349	-	463,349
Administration	1,043,912	-	1,043,912
Non-program	1,354	-	1,354
Debt service	208,851	-	208,851
Capital projects	505,332	-	505,332
Total disbursements	<u>10,569,651</u>	<u>-</u>	<u>10,569,651</u>
Excess (deficiency) of receipts over (under) disbursements	(548,227)	4,472	(552,699)
Other financing sources, net	2,110	-	2,110
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(546,117)	4,472	(550,589)
Balance beginning of year	5,486,464	53,195	5,433,269
Balance end of year	<u>\$ 4,940,347</u>	<u>57,667</u>	<u>4,882,680</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,447,717	4,447,717	11,088
31,200	31,200	25,555
4,579,339	5,070,222	(308,034)
45,015	45,015	(15,863)
371,114	371,114	14,410
79,274	79,274	(19,379)
291,762	333,286	(68,653)
<u>9,845,421</u>	<u>10,377,828</u>	<u>(360,876)</u>
1,684,703	1,704,703	113,680
673,951	703,421	85,583
1,975,315	2,464,198	382,531
410,263	472,515	58,085
3,392,120	3,840,669	198,774
464,909	471,919	8,570
1,130,948	1,170,173	126,261
4,000	4,000	2,646
209,050	209,050	199
543,000	543,000	37,668
<u>10,488,259</u>	<u>11,583,648</u>	<u>1,013,997</u>
(642,838)	(1,205,820)	653,121
50,000	50,000	(47,890)
(592,838)	(1,155,820)	605,231
4,054,493	4,054,493	1,378,776
<u>3,461,655</u>	<u>2,898,673</u>	<u>1,984,007</u>

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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	\$ 10,021,424	(101,371)	9,920,053
Expenditures	10,569,651	(254,307)	10,315,344
Net	(548,227)	152,936	(395,291)
Other financing sources, net	2,110	-	2,110
Beginning fund balances	5,486,464	740,722	6,227,186
Ending fund balances	\$ 4,940,347	893,658	5,834,005

See accompanying independent auditor's report.

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,095,389. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements in certain departments exceeded the amounts appropriated.

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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	July 1, 2009	-	\$ 651	651	0.00%	\$ 2,610	25.00%
2011	July 1, 2009	-	651	651	0.00	2,978	21.90
2011	July 1, 2009	-	651	651	0.00	2,633	24.70

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

See accompanying independent auditor's report.

Supplementary Information

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 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

			Special
	Resource Enhancement and Protection	Local Option Sales Tax	County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 7	461,510	2,429
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	62,902	-
Total assets	\$ 7	524,412	2,429
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 2,446	-	-
Deferred revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	2,446	-	-
Fund balances:			
Restricted for:			
Local option sales tax purposes	-	524,412	-
Drainage purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	2,429
Unassigned	(2,439)	-	-
Total fund balances	(2,439)	524,412	2,429
Total liabilities and fund balances	\$ 7	524,412	2,429

See accompanying independent auditor's report.

Revenue						
County Recorder's Electronic Transaction Fee	Drainage Districts	Sheriff Special Investigation	Special Law Enforcement	Debt Service	Total	
45	57,667	5,249	7,957	179	535,043	
-	-	-	-	767	767	
-	-	-	-	106,000	106,000	
-	-	-	-	-	62,902	
45	57,667	5,249	7,957	106,946	704,712	
-	-	-	-	-	2,446	
-	-	-	-	106,000	106,000	
-	-	-	-	727	727	
-	-	-	-	106,727	109,173	
-	-	-	-	-	524,412	
-	57,667	-	-	-	57,667	
-	-	-	-	219	219	
45	-	5,249	7,957	-	15,680	
-	-	-	-	-	(2,439)	
45	57,667	5,249	7,957	219	595,539	
45	57,667	5,249	7,957	106,946	704,712	

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

Year ended June 30, 2012

	Resource Enhancement and Protection	Local Option Sales Tax	Special County Recorder's Records Management
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales tax	-	375,357	-
Intergovernmental	11,682	-	-
Charges for service	-	-	3,774
Use of money and property	172	-	7
Miscellaneous	-	-	-
Total revenues	11,854	375,357	3,781
Expenditures:			
Operating:			
County environment and education	51,233	25,868	-
Administration	-	53,390	-
Debt service	-	-	-
Total expenditures	51,233	79,258	-
Excess (deficiency) of revenues over (under) expenditures	(39,379)	296,099	3,781
Other financing uses:			
Operating transfers out	-	(266,137)	-
Change in fund balances	(39,379)	29,962	3,781
Fund balances beginning of year	36,940	494,450	(1,352)
Fund balances end of year	\$ (2,439)	524,412	2,429

See accompanying independent auditor's report.

Revenue						
County Recorder's Electronic Transaction Fee	Drainage Districts	Sheriff Special Investigation	Special Law Enforcement	Debt Service	Total	
-	-	-	-	103,656	103,656	
-	-	-	-	-	375,357	
-	-	-	-	5,096	16,778	
-	-	-	-	-	3,774	
4	228	-	-	-	411	
-	4,244	-	-	5,678	9,922	
4	4,472	-	-	114,430	509,898	
-	-	-	-	-	77,101	
-	-	-	-	-	53,390	
-	-	-	-	108,576	108,576	
-	-	-	-	108,576	239,067	
4	4,472	-	-	5,854	270,831	
-	-	-	-	-	(266,137)	
4	4,472	-	-	5,854	4,694	
41	53,195	5,249	7,957	(5,635)	590,845	
45	57,667	5,249	7,957	219	595,539	

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 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	10,046	99,664	139,966
Other County officials	17,092	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,164	1,751	56,396
Succeeding year	-	161,000	242,000	7,712,000
Accounts	1,821	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 18,913	172,210	343,415	7,908,362
Liabilities				
Accounts payable	\$ -	-	1,481	-
Salaries and benefits payable	-	-	2,797	-
Due to other governments	8,700	172,210	327,889	7,908,362
Trusts payable	10,213	-	-	-
Compensated absences	-	-	11,248	-
Total liabilities	\$ 18,913	172,210	343,415	7,908,362

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
7,579	74,824	2,616	301,050	441,591	1,077,336
-	-	-	-	-	17,092
4,542	59,530	248	-	14	123,645
623,000	4,567,000	151,000	-	2,000	13,458,000
-	-	-	-	13,686	15,507
-	-	-	-	4,034	4,034
-	-	-	-	11,887	11,887
635,121	4,701,354	153,864	301,050	473,212	14,707,501
-	-	-	-	6,276	7,757
-	-	-	-	681	3,478
635,121	4,701,354	153,864	301,050	329,096	14,537,646
-	-	-	-	137,159	147,372
-	-	-	-	-	11,248
635,121	4,701,354	153,864	301,050	473,212	14,707,501

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Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 29,953	146,874	349,535	8,168,140
Additions:				
Property and other county tax	-	161,111	242,025	7,712,553
E911 surcharge	-	-	-	-
State tax credits	-	6,695	11,873	395,652
Drivers license fees	-	-	-	-
Office fees and collections	322,061	-	7,418	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	248,747	-	-	-
Miscellaneous	-	-	-	-
Total additions	570,808	167,806	261,316	8,108,205
Deductions:				
Agency remittances:				
To other funds	174,255	-	-	-
To other governments	145,545	142,470	267,436	8,367,983
Trusts paid out	262,048	-	-	-
Total deductions	581,848	142,470	267,436	8,367,983
Balances end of year	\$ 18,913	172,210	343,415	7,908,362

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Other	Total
447,192	4,584,489	145,685	294,758	469,587	14,636,213
624,522	4,570,388	152,528	-	1,723	13,464,850
-	-	-	-	69,102	69,102
21,513	188,266	7,906	-	85	631,990
-	-	-	49,233	-	49,233
-	-	-	-	-	329,479
-	-	-	-	3,131	3,131
-	-	-	3,840,717	-	3,840,717
-	-	-	-	20,131	20,131
-	-	-	-	306,579	555,326
-	-	-	-	127,846	127,846
646,035	4,758,654	160,434	3,889,950	528,597	19,091,805
-	-	-	149,041	-	323,296
458,106	4,641,789	152,255	3,734,617	265,333	18,175,534
-	-	-	-	259,639	521,687
458,106	4,641,789	152,255	3,883,658	524,972	19,020,517
635,121	4,701,354	153,864	301,050	473,212	14,707,501

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

For the Last Ten Years

	2012	2011	2010
Revenues:			
Property and other county tax	\$ 4,078,162	3,812,963	3,651,339
Local option sales tax	375,357	392,797	335,968
Interest and penalty on property tax	56,356	52,422	60,909
Intergovernmental	4,738,624	7,034,812	6,380,225
Licenses and permits	28,032	25,109	28,923
Charges for service	386,857	422,948	364,551
Use of money and property	58,510	73,123	85,531
Miscellaneous	198,155	213,744	213,304
Total	<u>\$ 9,920,053</u>	<u>12,027,918</u>	<u>11,120,750</u>
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,566,346	2,093,165	1,563,122
Physical health and social services	622,277	625,200	642,955
Mental health	2,091,423	1,875,274	1,839,981
County environment and education	405,052	421,414	339,852
Roads and transportation	3,438,999	3,621,166	3,510,329
Governmental services to residents	455,672	432,501	422,634
Administration	1,016,144	949,706	846,025
Non-program	1,354	3,287	1,210
Debt service	208,851	108,563	105,495
Capital projects	509,226	1,901,145	2,031,236
Total	<u>\$ 10,315,344</u>	<u>12,031,421</u>	<u>11,302,839</u>

See accompanying independent auditor's report.

Modified Accrual Basis						
2009	2008	2007	2006	2005	2004	2003
3,456,016	3,380,785	3,339,970	3,168,421	3,129,358	3,278,820	2,886,169
364,509	363,632	382,268	380,748	331,194	240,360	290,761
47,930	41,503	46,317	39,989	43,629	42,423	41,588
4,574,776	4,814,938	4,434,420	4,411,120	4,289,460	4,574,062	4,543,706
26,546	20,867	25,383	32,882	38,555	47,942	19,579
371,561	347,495	354,398	416,713	369,184	353,299	321,437
106,551	135,709	134,846	112,284	75,678	67,893	103,757
215,161	166,259	432,316	93,121	54,581	128,361	94,663
9,163,050	9,271,188	9,149,918	8,655,278	8,331,639	8,733,160	8,301,660
1,504,575	1,458,940	1,378,983	1,256,693	1,219,203	1,231,967	1,254,344
657,057	710,624	668,433	657,093	945,707	699,962	706,786
1,697,407	1,836,621	1,533,478	1,602,544	1,087,495	1,407,163	1,363,325
344,506	289,100	266,756	242,668	232,319	202,131	267,954
3,348,105	3,193,037	3,067,585	3,271,749	3,313,627	3,156,284	2,808,527
411,560	372,113	325,290	445,144	340,557	307,257	289,840
864,974	891,553	764,118	711,692	711,962	781,176	1,036,824
1,601	3,351	19,890	1,271	2,470	927	6,574
102,965	107,873	-	-	-	-	114,700
217,877	368,593	805,730	642,983	348,383	862,467	656,163
9,150,627	9,231,805	8,830,263	8,831,837	8,201,723	8,649,334	8,505,037

Page 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 Page County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Page 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 April 3, 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 Page County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Page County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Page County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Page 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 accompany 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 (N) to be significant deficiencies.

Compliance and Other Matters

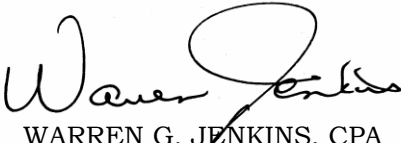
As part of obtaining reasonable assurance about whether Page County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect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

Page 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 Page 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 Page County and other parties to whom Page County may report, and is not intended to be and should not be used by anyone other than these specified parties.

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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 3, 2013

Page 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:

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling. An initial listing of mail receipts is not prepared by the Auditor, Sheriff, Engineer, Environmental Specialist and Conservation offices.	Recorder, Treasurer, Sheriff, Engineer, Auditor, E911, Public Health, Conservation, Environmental Specialist and Extension Office
(2) Disbursements – check writing, signing, posting, reconciling and final approval.	Recorder
(3) Bank reconciliations are not reviewed periodically for propriety by an independent person who does not sign checks, handle or record cash.	Recorder and Sheriff
(4) Cash – control of petty cash or change fund is not limited to one individual.	Recorder, Treasurer, Extension Office and Sheriff
(5) There is no evidence of independent review of the monthly financial reports.	Engineer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the signature or initials of the reviewer and the date of the review.

Page County

Schedule of Findings

Year ended June 30, 2012

Responses –

Recorder – Due to limited staff, we cannot segregate duties.

Treasurer – As always, the Treasurer welcomes suggestions from the State Auditors regarding additional controls which may be implemented. The Treasurer's Office is a customer service office with virtually every transaction requiring collection. All staff must participate in the "collecting" process. The money is kept in cash registers and not in the possession of individual staff members. The money is counted and reconciled by no less than two members prior to being deposited. Posting and daily reconciliation is divided between two or more staff. Their work will be initialed to evidence who performed the work. Petty cash will be handled by one staff member, whose responsibility will be to disburse funds as needed and reconcile monthly.

Sheriff – The Sheriff, Chief Deputy and office secretary all assist in opening mail, collecting money, depositing, posting and daily reconciling. The office is in the process of cross-training other staff to assist with these duties.

Engineer – New procedures were established effective February 19, 2013 implementing the recommendation.

Auditor – We will work on establishing an initial mail listing.

E911 – This is difficult to do with one person in the office. Once checks are received, they are receipted and taken to the County Treasurer's office.

Public Health – The mail is opened by the office manager, recorded in the mail log and initialed. The log and mail is given to the administrator who reviews and initials the log and returns the checks to the office manager for processing.

Conservation – The department will begin to maintain a listing of receipts.

Environmental Specialist – The department will begin to maintain a listing of receipts.

Extension Office – The Extension Director will open the mail and maintain a listing of checks received. The listing will be compared to the deposit books and receipts.

Conclusions –

Treasurer, Sheriff, Engineer, Auditor and Extension Office - Responses accepted.

Recorder, E911, Public Health, Conservation and Environmental Specialist – Responses acknowledged. The offices should also consider utilizing personnel from other offices or departments to provide additional internal control.

Page County

Schedule of Findings

Year ended June 30, 2012

- (B) Financial Reporting – During the audit, we identified material amounts of payables and capital asset additions not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables and capital asset additions are identified and properly included in the County’s financial statements.

Response – We will review the procedures for the order and delivery date and making claims for accrual purposes. Infrastructure assets will be added to the GASB 34 system upon completion. We will review disbursements to ensure all capital assets additions are included in the capital asset listing.

Conclusion – Response accepted.

- (C) Timesheets – The County Engineer is an employee of Montgomery County but provides services to Page County pursuant to a 28E agreement. The County Engineer only provides the Board of Supervisors a timesheet for approval for time which relates to Page County.

Recommendation – The County Engineer should provide Montgomery County a timesheet supporting all hours worked at both Counties and leave taken. The Board of Supervisors should receive and approve a summary of hours for Page County with the monthly reimbursement requests received from Montgomery County.

Response – Currently when the County Engineer provides a copy of his timesheet to the Office Manager (Page County), a copy is faxed to the County Auditor. When the monthly billing is received from Montgomery County, copies of the County Engineer’s timesheets are included. When this information is received, the Office Manager forwards a copy of the email to the County Auditor.

Conclusion – Response accepted.

- (D) Procurement Policy – The County does not have a written policy regarding bidding procedures to be followed for vehicle and other equipment purchases.

Recommendation – The County should adopt a policy outlining County bidding procedures to ensure good business practices are followed by all departments.

Response – The County will work on establishing a procurement policy.

Conclusion – Response accepted.

Page County

Schedule of Findings

Year ended June 30, 2012

- (E) Rapp Park Lease – The County Conservation Board entered into a verbal lease agreement with a local farmer for crop land owned by the County. Under the agreement, the amount of rent paid to the County is based on a percentage of crops harvested. However, supporting documentation of the amount harvested is not provided to the County.

In addition, the County Conservation Board has not properly documented the reason for not bidding the annual leasing of the property.

Recommendation – The County Conservation Board should reduce the terms of the agreement to writing and ensure the renter provides supporting documentation to evidence the County’s share of crops harvested. In addition, the Board should either accept bids for the property rental or document the reason for not bidding in the Board minutes.

Response – We are working with the County Attorney and will get a written lease completed.

Conclusion – Response acknowledged. The Board should use a bid process to rent the property or document the reason for not bidding.

- (F) Check Endorsement – Checks are not restrictively endorsed upon receipt in the Engineer and E911 offices.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received.

Responses –

Engineer – All checks passing through our office will now be restrictively endorsed (for deposit only) prior to being taken to the Treasurer’s office.

E911 – Once a check is received in this office, it is receipted and taken to the County Treasurer’s office.

Conclusions –

Engineer – Response accepted.

E911 – A restrictive endorsement should be obtained and placed on checks when received.

- (G) Job Evaluations – County personnel policies do not require employees to be evaluated by the supervisor at such frequency as the supervisor may determine, but not less than annually.

Recommendation – A written evaluation policy should be developed to help provide timely performance feedback, goal setting and ensure the employees understand requirements of their job.

Page County

Schedule of Findings

Year ended June 30, 2012

Response – The County will work on ensuring evaluations are required annually.

Conclusion – Response accepted.

- (H) Sale of Scrap Metal – The County periodically sells scrap metal to local vendors. Supporting documentation from the vendor for the sales was not always available to substantiate the amount paid to the County. One vendor paid the County in cash.

Recommendation – The County should request and retain supporting documentation for all scrap metal sales and require vendors to pay by check.

Response – Since November 2012, all vendors are now providing scale tickets to indicate tonnage and price per ton. All vendors are now paying by check – no more cash is being received. We are doing random weighing at the local elevator to verify vendor tonnages.

Conclusion – Response accepted.

- (I) Claim Approval – Individual claims included on the claim listing approved by the Board of Supervisors lacked evidence of review by department heads and the County Auditor.

Recommendation – Individual claims should include evidence of review by the signature or initials of the reviewer and date of the review.

Response – The County will work to ensure a timely review is completed and documented.

Conclusion – Response accepted.

- (J) Board of Health – Reconciliations of billings, collections and receivables were not prepared each month.

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

Response – All of our deposits are logged into a spreadsheet and the administrator reviews it before the deposit is made at the Treasurer's Office. While at the Treasurer's Office, one of the employees there looks over the spreadsheet and makes sure everything entered is accounted for.

Conclusion – Response acknowledged. The office should prepare a monthly reconciliation of billings, collections and receivables.

Page County

Schedule of Findings

Year ended June 30, 2012

(K) Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following deficiencies in the County’s computer systems were noted:

- (1) The County does not have written policies for an alternate power source if power is interrupted.
- (2) The County does not have a written disaster recovery plan addressing computer system issues.

Recommendation – The County should develop written policies for an alternate power source to improve the County’s control over computer systems. Also, a written disaster recovery plan should be developed covering computer system issues.

Response – The County will look into establishing written policies for an alternative power source and a written disaster recovery plan.

Conclusion – Response accepted.

(L) Timesheets – Individual timesheets prepared by the County Extension Director were not approved.

Recommendation – The timesheets should be reviewed and approved by a designated individual.

Response – The Office Coordinator started signing the Director’s timesheet on December 17, 2012.

Conclusion – Response accepted.

(M) County Fair – One County Extension employee is employed by both the County Extension Office and the County Fair Board. Certain County Fair mail is received at the County Extension Office. The County Extension Office does not work in conjunction with the Fair Board to ensure hours allocated to the Extension Office and Fair Board are reasonable and accurate.

Recommendation – The County Extension Council should evaluate the propriety of the Fair Board mail being sent to the Extension Office. The County Extension Office should review and approve the timesheet for the employee in conjunction with the County Fair Board. The employee’s timesheet should support all hours worked.

Response – After the audit is public information, this will be discussed with the Extension Council.

Conclusion – Response accepted.

Page County

Schedule of Findings

Year ended June 30, 2012

(N) County Extension Office – Invoices or other supporting documents were not always attached to the vouchers or available to support disbursements.

Recommendation – All vouchers should be supported by invoices or other supporting documents.

Response – Since May 2012, there are receipts attached to the First Bankcard bill to support the charges at Stamps.com. We will discuss the purchasing options for the 4-H food stand. The discussion will focus on the requirement for proper documentation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Page 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, did not exceed the amounts budgeted. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will monitor the departmental appropriations to ensure adjustments are approved by the Board, when necessary.

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 – The following transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Charlie Spencer, Chairman of the Conservation Board, owner of Spencer’s	Office supplies	\$1,794

In the opinion of the County Attorney, the transactions with Spencer’s do not represent a conflict of interest as defined in Chapter 331.342(2)(i) of the Code of Iowa since Mr. Spencer does not participate in votes regarding conservation bills to Spencer’s and Mr. Spencer does not have oversight or authority for other departments making purchases from Spencer’s.

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

Page County

Schedule of Findings

Year ended June 30, 2012

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

The publication of claims did not include the reason for the claim as required by Chapter 349.18 of the Code of Iowa.

The County's publication of Board proceedings included summaries of resolutions and ordinances adopted by the Board rather than a complete text as required by Chapter 331.504 of the Code of Iowa. An Attorney General's Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Recommendation - The County should publish the reason for the claims, as required. Publication of minutes should include the complete text of resolutions and ordinances adopted by the Board. The County should ensure the minutes are published timely.

Response – The County has started to publish the reason for the claims. The County will make sure the minutes and publications include the resolutions and ordinances.

Conclusion – Response accepted.

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

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

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

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

In 2003, the County Extension Council authorized a \$60,000 bank loan for 15 years for a building purchase. Chapter 176A of Code of does not specifically allow the Extension Council to enter into multiyear debt agreements.

Recommendation – The Council should comply with Chapter 176A of the Code of Iowa. The Council should consult legal counsel to determine the disposition of this matter.

Page County

Schedule of Findings

Year ended June 30, 2012

Response – We proceeded with the building purchase after receiving written advice from the Page County Attorney’s Office stating they believed it was allowable.

Conclusion – Response accepted.

- (10) Deficit Balances/Financial Condition – The Special Revenue, Resource Enhancement and Protection (REAP) and the Agency, Emergency Management Funds had deficit cash balances at June 30, 2012. This appears to violate Chapter 331.476 of the Code of Iowa.

In addition, the Special Revenue, REAP Fund had an unassigned deficit fund balance of \$2,439 at June 30, 2012.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

The County should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – The County will try to ensure a deficit does not happen in the future.

Conclusion – Response accepted.

- (11) Outstanding Warrants – The County did not cancel warrants outstanding for more than one year as required by Chapter 331.554(7) of the Code of Iowa.

Recommendation – The County should cancel warrants outstanding for more than one year.

Response – The County will make sure warrants are cancelled after a year.

Conclusion – Response accepted.

Page County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Brett M. Zeller, Senior Auditor II
Adam B. Bartz, Assistant Auditor
Robert W. Endriss, CPA, Assistant Auditor
Kirstie R. Hill, Assistant Auditor
Joshua W. Ostrander, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State