



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

May 20, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on Boone County, Iowa.

The County had local tax revenue of \$38,718,190 for the year ended June 30, 2013, which included \$1,537,946 in tax credits from the state. The County forwarded \$30,566,462 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,151,728 of the local tax revenue to finance County operations, a 3.5% increase over the prior year. Other revenues included charges for service of \$4,473,689, operating grants, contributions and restricted interest of \$5,281,828, capital grants, contributions and restricted interest of \$1,324,518, local option sales tax of \$862,332, unrestricted investment earnings of \$101,888 and other general revenues of \$310,938.

Expenses for County operations for the year ended June 30, 2013 totaled \$17,732,067, a 9.6% decrease from the prior year. Expenses included \$5,964,185 for roads and transportation, \$3,170,636 for public safety and legal services and \$1,756,440 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0008-B00F.pdf>.

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BOONE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Boone County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Foster	Board of Supervisors	Jan 2013
William Lusher	Board of Supervisors	Jan 2013
Steve Duffy	Board of Supervisors	Jan 2015
Philippe Meier	County Auditor	Jan 2013
Darcy Bosch	County Treasurer	Jan 2015
Veronica Rardin	County Recorder	Jan 2015
Ronald Fehr	County Sheriff	Jan 2013
Jim Robbins	County Attorney	(Resigned)
Adria Kester (Appointed)	County Attorney	Nov 2014
D. Kevin Burggraaf	County Assessor	(Resigned)
Paul Overton (Appointed)	County Assessor	Jan 2016

(After January 2013)

Steve Duffy	Board of Supervisors	Jan 2015
Thomas Foster	Board of Supervisors	Jan 2017
Chet Hollingshead	Board of Supervisors	Jan 2017
Philippe Meier	County Auditor	Jan 2017
Darcy Bosch	County Treasurer	Jan 2015
Veronica Rardin	County Recorder	Jan 2015
Greg Elsberry	County Sheriff	Jan 2017
Adrina Kester	County Attorney	(Resigned)
Daniel Kolacia (Appointed)	County Attorney	Nov 2014
Paul Overton	County Assessor	Jan 2016

Boone County



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Independent Auditor's Report

To the Officials of Boone County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 21 and 56 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014 on our consideration of Boone County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Boone County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FISCAL YEAR 2013 FINANCIAL HIGHLIGHTS

- Boone County's governmental activities revenues increased \$521,534, or 3%, compared to FY2012. Property tax increased \$217,427, or 2.8%, over FY2012.
- Boone County's governmental activities expenses decreased \$2,828,555, or 15.6%, compared to FY2012.
- Boone County's total net position increased \$2,774,854 over FY2012, or approximately 6%.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Boone 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 Boone County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Boone 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'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three types of funds:

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

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

2) Proprietary Funds account for the County's Enterprise Funds. Boone County's Enterprise, Landfill Operations and Ground Water Tax Funds account for the financial activity of the Boone County Landfill.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of financial position. Boone County's combined net position increased 6.1% from a year ago, increasing from approximately \$45.5 million to approximately \$48.2 million. The analysis that follows focuses on the net position of governmental and business type activities.

	Net Position of Boone County Activities					
	Governmental		Business Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 18,347,193	16,849,549	5,719,976	5,253,913	24,067,169	22,103,462
Capital assets	41,573,731	39,292,338	3,000,558	3,301,635	44,574,289	42,593,973
Total assets	59,920,924	56,141,887	8,720,534	8,555,548	68,641,458	64,697,435
Long-term liabilities	5,699,068	6,055,515	3,557,923	3,377,805	9,256,991	9,433,320
Other liabilities	11,035,688	9,672,847	120,358	137,701	11,156,046	9,810,548
Total liabilities	16,734,756	15,728,362	3,678,281	3,515,506	20,413,037	19,243,868
Net position:						
Net investment						
in capital assets	38,738,037	36,075,983	2,220,040	2,438,749	40,958,077	38,514,732
Restricted	4,209,551	4,073,610	733,701	945,686	4,943,252	5,019,296
Unrestricted	238,580	263,932	2,088,512	1,655,607	2,327,092	1,919,539
Total net position	\$ 43,186,168	40,413,525	5,042,253	5,040,042	48,228,421	45,453,567

Net position of Boone County's governmental activities increased 6.9% (approximately \$43.2 million compared to approximately \$40.4 million). The largest portion of the County's net position is net investment in capital assets (e.g., land, infrastructure, buildings and equipment). The debt related to the investment in capital assets is liquidated with resources other than capital assets since they are unavailable for spending. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net position, the part of net position that can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements, decreased from approximately \$264,000 at June 30, 2012 to approximately \$239,000 at the end of this year, a decrease of 9.6%.

The following table entitled "Changes in Net Position of Boone County Activities" compares the changes in detail. Looking at the County as a whole, revenues increased approximately 1.0% and expenses decreased approximately 13.0%. Revenues of the County as a whole increased \$203,191 compared to FY2012. Operating grants decreased \$774,238, which mostly represents FEMA flood projects completed in FY2012, while capital grants increased approximately \$1 million, which represents project funding for new paved roads on the CIE grounds. Charges for service decreased 5.3%, property tax related revenue increased 3.4%, local option sales tax revenue decreased .8% and other revenue increased 2.3% compared to FY2012. A look at expenses by function reveals public safety expenses increased 5.8%, physical health and social

services expenses decreased 2.5%, mental health expenses decreased 59.7% with the implementation of the mental health redesign, county environment and education expenses decreased 8.2% due to completion in FY2012 of a culvert repair on the high trestle trail started during FY2011, which was partially offset by FEMA grants, roads and transportation expenses decreased 12.1% due to less spending on construction projects, governmental services to residents expenses increased 2.0%, administration expenses decreased 4.6%, interest on long-term debt decreased less than 1% and solid waste expenses increased 8.2% compared to FY2012.

Changes in Net Position of Boone County Activities						
	Governmental		Business Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for service	\$ 2,095,494	2,058,670	2,378,195	2,666,544	4,473,689	4,725,214
Operating grants, contributions and restricted interest	5,281,222	6,036,714	606	19,352	5,281,828	6,056,066
Capital grants, contributions and restricted interest	1,324,518	370,017	-	-	1,324,518	370,017
General revenues:						
Property tax - general purposes	7,080,347	6,983,350	-	-	7,080,347	6,983,350
Property tax - debt service	596,261	560,866	-	-	596,261	560,866
Tax increment financing	150,090	73,643	-	-	150,090	73,643
Penalty and interest on property tax	92,893	95,090	-	-	92,893	95,090
State tax credits	325,030	257,928	-	-	325,030	257,928
Local option sales tax	862,332	868,967	-	-	862,332	868,967
Grants and contributions not restricted to specific purposes	59,307	106,554	-	-	59,307	106,554
Unrestricted investment earnings	87,241	91,257	14,647	25,895	101,888	117,152
Gain on disposition of capital assets	75,352	11,186	-	-	75,352	11,186
Miscellaneous	83,386	77,697	-	-	83,386	77,697
Total revenues	18,113,473	17,591,939	2,393,448	2,711,791	20,506,921	20,303,730
Program expenses:						
Public safety and legal services	3,170,636	2,995,902	-	-	3,170,636	2,995,902
Physical health and social services	615,143	631,224	-	-	615,143	631,224
Mental health	1,303,401	3,238,036	-	-	1,303,401	3,238,036
County environment and education	1,726,666	1,880,318	-	-	1,726,666	1,880,318
Roads and transportation	5,964,185	6,787,600	-	-	5,964,185	6,787,600
Governmental services to residents	551,746	541,159	-	-	551,746	541,159
Administration	1,756,440	1,841,529	-	-	1,756,440	1,841,529
Interest on long-term debt	252,613	253,617	-	-	252,613	253,617
Solid waste	-	-	2,391,237	2,210,934	2,391,237	2,210,934
Total expenses	15,340,830	18,169,385	2,391,237	2,210,934	17,732,067	20,380,319
Change in net position	2,772,643	(577,446)	2,211	500,857	2,774,854	(76,589)
Net position beginning of year, as restated	40,413,525	40,990,971	5,040,042	4,539,185	45,453,567	45,530,156
Net position end of year	\$ 43,186,168	40,413,525	5,042,253	5,040,042	48,228,421	45,453,567

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

<u>Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position</u>	
Total Governmental Fund Balances	\$ 7,046,582
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 \$71,992,066 and the accumulated depreciation is \$30,418,335.	41,573,731
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	299,104
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(5,733,249)</u>
Net Position of Governmental Activities	<u>\$ 43,186,168</u>

The County-wide taxable valuation increased approximately .3% and the County's rural taxable valuation decreased approximately 1.6%. The budgetary requirements of the County for county-wide purposes required a county-wide levy rate of \$5.34873/\$1,000 of taxable valuation, which is approximately \$.13/\$1,000 higher than the FY2012 levy rate. The total increase in dollars levied County-wide was \$183,522, or 3.1%.

The budgetary requirements of the County for rural services required a rural services levy rate of \$2.57011/\$1,000 of taxable rural valuation, which is approximately \$0.09/\$1,000 higher than the FY 2012 levy rate. The total increase in dollars levied in unincorporated or rural areas of Boone County for the Rural Services Fund only increased 1.9%, or \$33,905.

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

	<u>Property Tax Levied</u>	
	<u>FY2013</u>	<u>FY2012</u>
County-wide taxable valuation	\$ 1,149,815,146	1,145,940,540
County-wide levy rate without debt	4.82603	4.72133
Dollars levied without debt	5,549,042	5,410,363
County-wide taxable debt service valuation	1,192,602,371	1,194,836,945
County debt service levy rate	0.52270	0.48419
Dollars levied for debt service	623,373	578,530
Total county-wide rate	5.34873	5.21405
Total dollars levied county-wide	6,172,415	5,988,893
Rural taxable valuation	710,859,081	722,483,295
Rural tax levy rate	2.57011	2.48183
Dollars levied rural area only	1,826,986	1,793,081
Total dollars levied	7,999,401	7,781,974

Governmental Activities

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

- Revenues for governmental activities were approximately \$18.1 million in FY2013, which is a 3.0% increase compared to FY2012. Expenses for governmental activities totaled approximately \$15.3 million, a decrease of 15.6% compared to FY2012. In a difficult budgeting year, Boone County did a remarkable job trimming expenses to match available revenues, noting the County's net position of governmental activities ended the year at approximately \$43.2 million, a 6.9% increase over FY2012.
- The local option sales tax revenue of \$862,332 contributed greatly to the increase in net position of governmental activities. Boone County uses 75% of the local option sales tax revenue to reduce property tax in the Special Revenue, Rural Services Fund. The remaining 25% of the local option sales tax is spent for community betterment projects throughout the County. The revenue received from local option sales tax remained flat compared to FY2012. The County believes the local option sales tax revenue indicates the relative economic strength of the local business economy, which reflects a steady local economy.

Net Cost of Governmental Activities

Function	Expenses	Program Revenues		FY2013 Net Expense or (Revenue)	FY2012 Net Expense or (Revenue)
		Charges for Service	Operating and Capital Grants and Contributions		
Public safety and legal services	\$ 3,170,636	658,649	47,120	2,464,867	1,960,281
Physical health and social services	615,143	16,588	2,221,934	(1,623,379)	(645,608)
Mental health	1,303,401	143,805	-	1,159,596	(1,401,223)
County environment and education	1,726,666	434,149	83,523	1,208,994	1,548,112
Roads and transportation	5,964,185	296,847	4,249,821	1,417,517	3,319,049
Governmental services to residents	551,746	515,919	-	35,827	60,818
Administration	1,756,440	29,537	3,342	1,723,561	1,806,492
Interest on long-term debt	252,613	-	-	252,613	253,617
Total	\$ 15,340,830	2,095,494	6,605,740	6,639,596	6,901,538

- The cost of all governmental activities this year was approximately \$15.3 million, a decrease of approximately \$2.8 million, or 15.6%, from FY2012.
- The portion of the cost financed by users of Boone County programs from charges for service was approximately \$2.1 million, increasing \$36,824, or 1.8 %, compared to FY2012.
- The federal and state governments and private contributors subsidized certain programs with operating and capital grants and contributions totaling approximately \$6.6 million, increasing 3.1% compared to FY2012.
- The net cost of governmental activities was financed with general revenues, including property tax related revenue of \$8,244,621, local option sales tax of \$862,332, unrestricted grants and contributions of \$59,307, unrestricted investment earnings of \$87,241, gain on disposition of capital assets of \$75,352 and other miscellaneous revenue of \$83,386. Total general revenues for FY2013 were \$9,412,239, up \$285,701, or 3.1%, compared to FY2012.

Business Type Activities

Function	Program Revenues				
	Expenses	Charges for Service	Operating and Capital Grants and Contributions	FY2013 Net Expense or (Revenue)	FY2012 Net Expense or (Revenue)
Solid waste	\$ 2,391,237	2,378,195	606	12,436	(474,962)

Program revenues of the Boone County Landfill decreased 11.4% to \$2,378,801 when compared to FY2012, mainly because fee adjustments by the Boone County Landfill and landfill policies on construction demolition have encouraged a more appropriate handling of construction waste, which decreased the tonnage buried. Program revenues were approximately \$307,000 less than FY2012. Expenses increased 8.2% to approximately \$2.4 million. The County Landfill is Boone County's only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources Ground Water Tax (local share) and interest income.

- During FY2012, the Boone County Landfill implemented a new system for managing waste. The new system uses a low speed, high torque mobile grinder and a separate grapple equipped excavator to achieve maximum density of landfilled waste. The new system, the first of its type in Iowa, will help extend the capacity of the landfill and offers a new opportunity to reclaim metals. The system was implemented in April 2012.
- Keep Boone County Beautiful (KBCB) continued to offer assistance to area cleanup activities. It again hosted the Dragoon River Romp and Keep Boone County Scenic events.
- Commencing on July 1, 2011, the Boone County Landfill became the sole landfill in the Central Iowa Waste Management Association (CIWMA). This followed the closure of the Ames/Story C&D Landfill. This waste stream is charged a rate twice the rate paid by customers from the Landfill's primary service area.
- The Landfill's comprehensive planning area received approval of its 2009 plan update in February 2010. The IDNR calculated the planning area's landfill waste diversion rate at 55%. The planning area is one of two in the state which exceeds the State of Iowa's 50% diversion goal.

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

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

The financial performance of Boone County as a whole is reflected in its governmental funds, as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$7,046,582, 2.2% more than last year's restated total of \$6,892,804.

General Fund

General Fund		
	FY2013	FY2012
Beginning fund balance	\$ 1,858,920	1,621,897
Property tax, including penalty and interest	4,542,808	4,474,956
Local option sales tax	208,583	217,742
Intergovernmental	2,874,691	1,616,594
Permits and charges for service	1,023,312	906,266
Interest and use of property	126,661	207,426
Miscellaneous	91,392	179,014
Sale of capital assets	10,774	29,265
Total revenues	8,878,221	7,631,263
Public safety and legal services	2,919,253	2,939,568
Physical health and social services	617,137	630,996
County environment and education	690,526	1,176,239
Governmental services to residents	546,835	535,914
Administration	1,582,486	1,560,273
Capital projects	2,131,377	551,250
Total expenditures	8,487,614	7,394,240
Ending fund balance	\$ 2,249,527	1,858,920

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

Total property tax revenue increased 1.5%. Local option sales tax revenue decreased 4.2% and intergovernmental revenue increased 77.8%, reflecting IDOT funding for street construction on County land managed by CIE. Revenue from user fees increased 12.9% and interest and use of property decreased 38.9% due to a decrease from renting jail space to neighboring counties. Total revenues increased 16.3% compared to FY2012.

Total expenditures increased 14.8%, or \$1,093,374, compared to FY2012. The increase in expenditures was to spend grant funds for the road project on the county owned land at the Expo site.

The General Fund ending balance is 26.5% of total expenditures for FY2013 compared to 25.1% for FY2012.

Special Revenue Funds

Mental Health Fund		
	FY2013	FY2012
Beginning fund balance	\$ 289,229	746,495
Property tax	842,073	841,434
Intergovernmental - property tax relief	-	683,086
Other intergovernmental	242,309	1,245,258
Miscellaneous	1,167	11,806
Total revenues	1,085,549	2,781,584
Mental illness	73,482	182,336
Chronic mental illness	833,479	1,086,995
Mental retardation	381,840	1,952,539
Developmental disability	10,745	16,980
Total expenditures	1,299,546	3,238,850
Ending fund balance	\$ 75,232	289,229

Boone County levied the maximum levy established by the Mental Health Fund base year calculation. The FY2013 ending fund balance was 5.8% of FY2013 expenditures compared to 8.9% for FY2012. Revenues decreased 61.0% as intergovernmental revenue was \$1,686,035 less than FY2012. Mental health expenditures were 59.9% lower compared to FY2012.

Because the Iowa Legislature changed mental health operations and funding for FY2013, it is uncertain how this change will impact county governments. Boone County has joined the Central Iowa Community Service Region as provided for in the mental health redesign.

Rural Services Fund		
	FY2013	FY2012
Beginning fund balance	\$ 584,483	432,346
Property tax	1,757,386	1,742,049
Local option sales tax	625,749	653,225
Intergovernmental	97,955	71,129
Permits, charges for service and miscellaneous	30,710	18,423
Total revenues	2,511,800	2,484,826
Public safety and legal services	148,781	-
County environment and education	264,034	312,984
Governmental services to residents	1,042	1,192
Transfers to other funds	1,978,513	2,018,513
Total expenditures and transfers	2,392,370	2,332,689
Ending fund balance	\$ 703,913	584,483

Property tax revenue for FY2013 was up \$15,337, or .9%. The local effort for secondary roads was maintained at 90% of the maximum allowed to be levied for the Secondary Roads Fund.

- Local option sales tax revenue in the Rural Services Fund decreased 4.2% compared to FY2012.
- Total property tax related revenue (\$1,757,386) is less than the amount transferred to the Secondary Roads Fund (\$1,978,513) by \$221,127, which means local option sales tax pays for all of the services in the Rural Services Fund and part of the road expenses. This is where rural residents realize direct property tax relief because of the local option sales tax.

- The Rural Services Fund ending fund balance now represents 29.4% of the Rural Services Fund expenditures, including transfers to the Secondary Roads Fund, compared to 25.1% for FY2012.

Secondary Roads Fund		
	FY2013	FY2012
Beginning fund balance	\$ 2,442,736	2,007,767
State fuel tax and other state revenue	3,487,907	3,739,132
Permits, charges for service and miscellaneous	103,389	120,162
Transfers from other funds	1,978,513	2,018,513
Total revenues and transfers	5,569,809	5,877,807
Secondary road maintenance	4,997,451	5,298,333
Secondary road construction	336,938	144,505
Total expenditures	5,334,389	5,442,838
Ending fund balance	\$ 2,678,156	2,442,736

- Secondary Roads Fund revenue and transfers decreased 5.2% compared to FY2012. Intergovernmental revenue was lower by \$251,225, primarily because of reduced FEMA reimbursements in FY2012 and transfers were \$40,000 less than in FY2012.
- Secondary Roads Fund expenditures remained relatively unchanged compared to FY2012, decreasing 2.0%.

The ending fund balance compared to total expenditures increased to 50.2% in FY2013 compared to 44.9 % in FY2012.

Debt Service Fund

	FY2013	FY2012
Beginning fund balance	\$ 136,712	84,406
Property tax	598,517	560,379
Intergovernmental and miscellaneous	25,081	23,353
General obligation notes issued, net of discount	-	1,119,908
Transfers from other funds	157,700	65,000
Total revenues and transfers	781,298	1,768,640
Principal	425,000	1,554,981
Interest	272,402	161,353
Total expenditures	697,402	1,716,334
Ending fund balance	\$ 220,608	136,712

The Debt Service Fund accumulates resources and pays the principal and interest on the County's general obligation bonds and notes. At the end of FY2013, the County had \$5,287,282 of debt outstanding subject to the debt service tax levy.

Capital Projects Fund

	FY2013	FY2012
Beginning fund balance	\$ 1,134,010	159,706
Interim financing proceeds	-	124,117
General obligation notes issued, net of discount	-	1,330,928
Total revenues	-	1,455,045
County environment and education	469,739	476,422
Capital projects	-	4,319
Total expenditures	469,739	480,741
Ending fund balance	\$ 664,271	1,134,010

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

BUSINESS TYPE FUND HIGHLIGHTS

- FY2013 was the Boone County Landfill's 43rd year of operations. Inspections by a variety of entities continue to demonstrate the Landfill is operated at a level which exceeds regulatory requirements.
- In 2010, the IDNR calculated the CIWMA planning area had landfilled 45% of the region's waste. At that time, only two planning areas in the state of Iowa achieved this level of waste diversion.

Landfill Operations Fund

- Landfill Operations Fund revenue was \$2,393,448, a decrease of 11.9% compared to FY2012, primarily due to the temporary diversion of Ames/Story Construction and Demolition Landfill refuse to Boone County when the Ames facility closed in FY2012 and fee adjustments and landfill policies on construction demolition resulted in decreased tonnage being buried.
- Operating expenses increased 6.3% compared to FY2012.
- Landfill operations revenue decreased \$313,109 during FY2013 compared to FY2012, primarily due to a decrease in asbestos disposal activity. A sizable asbestos project was disposed of at the Boone County Landfill during FY2012.

Keep Boone County Beautiful Sub-Account

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

The Dragoon River Romp.

Adopt a County Road, City Street or favorite place.

Environmental education.

Keep Boone County Scenic pick up litter day.

Boone County Recycling Center Sub-Account

This sub-account (within the Landfill Operations Fund) was started to manage expenses associated with the Boone County Recycling Center. The landfill contracts with Genesis Development to operate the facility under the management of the landfill administrator/recycling coordinator. Both the operating agreement and facility lease were renewed during FY2013.

The County has been exploring options to buy or construct a new recycling center. During FY2013, these efforts focused on purchasing land from the Iowa Railroad historical society to construct a new facility.

Landfill Closure/Postclosure Sub-Account

- The Landfill Closure/Postclosure sub-account has assets totaling \$3,344,283. The fund is now fully funded in accordance with IDNR requirements.
- No closure/postclosure costs were expended from this sub-account during FY2013.

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

This fund accounts for the amount the Boone County Landfill is allowed to retain from the State tipping fee surcharge. Actual revenue for this fund is tied to the tonnage received by the Landfill subject to the surcharge. Tonnage received due to exceptional events is exempt from the state surcharge.

Expenses for FY2013 include funding for:

- A portion of recyclables processing costs carried out by Genesis Development in Greene County.
- Special event advertising.

BUDGETARY HIGHLIGHTS

On May 29, 2013, the County Board of Supervisors amended the original FY2013 budget for the following:

- Increased expected TIF revenues \$13,896 to reflect the amount expected to be collected.
- Decreased intergovernmental revenue \$274,282 because FEMA projects were completed in FY2012.
- Increased charges for service, use of money and property and miscellaneous revenue \$175,296 to more closely reflect actual dollars expected to be collected.
- Expenditures in the public safety and legal services function were increased \$9,000 to reflect increased county medical examiner expenses and \$825 of court service expense. Physical health and social services budgeted expenditures were increased \$9,200 to allow expenses incurred from additional public health grants. County environment and education budgeted expenditures were reduced \$425,064 to reflect FEMA project expenses completed in FY2012. Roads and transportation budgeted expenditures were increased \$390,000 as certain capital project funding was moved to maintenance. Governmental services to residents budgeted expenditures were increased approximately \$26,000 to correct a clerical error in the budgeted election assistant salary. Budgeted administration expenditures were increased \$13,300 to pay drainage district expenses and pledge support of a new railroad museum in Boone. Debt service budgeted expenditures were increased to allow the county to pay interest from a previous bond sale and capital projects budgeted expenditures were increased approximately \$1.2 million to allow payment of additional expenses for the Central Iowa Expo (CIE) roadway project.

In the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds, the actual net disbursements of \$15,684,031 were approximately \$5.3 million less than amended budget. Receipts of \$15,766,417 were approximately \$1.4 million less than amended budget.

CAPITAL ASSETS

Boone County's governmental and business type activities concluded FY2013 with \$44,574,289 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, roads and bridges. GASB 34 requires infrastructure and other capital assets to be depreciated according to a capital asset policy. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

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

In prior years, the County borrowed \$1.5 million through a general obligation capital loan anticipation project note to purchase approximately 100 acres for the Central Iowa Expo site which will be the permanent bi-annual home of the Farm Progress Show for the next 20 years. The anticipation project note was replaced with permanent financing during FY2009. The balance due for the purchase of land for CIE is \$1,345,000 and is currently scheduled to be paid by June 30, 2029.

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

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

FACTORS BEARING ON THE FUTURE

Boone County's elected and appointed officials and citizens considered many factors when setting the FY2014 budget, tax rates and fees that partially finance the various county services. One of those factors is the economy. Boone County's employment (number of persons working) has increased from an average of 13,500 in the mid 1990's to an average of 14,360 for calendar year 2012. The average Boone County unemployment rate for 1998 was 2.3%. Unemployment in Boone County on June 30, 2013 was 3.9% versus 4.4% a year before. This compares with the State's unemployment rate of 4.8% for the same period ended June 30, 2013.

The State of Iowa's modest financial condition and relatively flat revenue projection continue. The County has projected substantially stable revenues from the State and has asked taxpayers to fund the County budget with an additional 1.3% of property tax compared to FY2013. The actual increase from FY2013 to FY2014 is \$104,664.

The above factors were all part of the considerations for the FY2014 budget, which certified taxes as follows: (Amounts certified include utility replacement and property tax dollars.)

	Dollars Certified	Percentage Increase (Decrease)
General Fund	\$ 4,712,043	0.9%
Mental Health Fund	878,976	0.0
Rural Services Fund	1,951,366	6.9
Debt Service Fund	561,680	(9.9)
Total	<u>\$ 8,104,065</u>	<u>1.3%</u>

Boone County attempted to maintain the current level of services as the FY2014 budget was developed. Levy rates (expressed in \$/\$1,000 of taxable valuation) to produce the above dollars for FY2014 are as follows:

General basic levy	\$ 3.50000
General supplemental levy	0.36162
Mental health levy	0.72034
Rural services basic levy	2.57131
Debt service levy	0.44544

Boone County has been fortunate there has been continued new construction and economic growth in the community to help offset the growth in demand for county services. The county-wide taxable valuation for the FY2014 budget exceeds \$1 billion for the fifth time in County history.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Boone County

Basic Financial Statements

Exhibit A

Boone County
Statement of Net Position
June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,493,965	2,166,570	8,660,535
Cash and cash equivalents - restricted	-	3,338,579	3,338,579
Receivables:			
Property tax:			
Delinquent	30,924	-	30,924
Succeeding year	7,888,000	-	7,888,000
Interest and penalty on property tax	112,357	-	112,357
Accounts	28,441	212,901	241,342
Accrued interest	9,695	5,704	15,399
Drainage assessments	47,035	-	47,035
Special assessments	12,744	-	12,744
Road assessments	26,553	-	26,553
Loan	100,000	-	100,000
Internal balances	3,778	(3,778)	-
Due from other governments	2,434,814	-	2,434,814
Inventories	1,158,887	-	1,158,887
Capital assets, net of accumulated depreciation	41,573,731	3,000,558	44,574,289
Total assets	59,920,924	8,720,534	68,641,458
Liabilities			
Accounts payable	1,953,074	80,880	2,033,954
Accrued interest payable	34,181	-	34,181
Salaries and benefits payable	108,700	8,055	116,755
Due to other governments	1,051,733	31,423	1,083,156
Deferred revenue:			
Succeeding year property tax	7,888,000	-	7,888,000
Long-term liabilities:			
Portion due or payable within one year:			
General obligation notes	440,000	-	440,000
Urban renewal general obligation notes	90,000	-	90,000
SWAP loan	-	1,707	1,707
Capital lease purchase agreement	-	75,771	75,771
Compensated absences	399,552	28,334	427,886
Portion due or payable after one year:			
General obligation notes	2,395,694	-	2,395,694
Urban renewal general obligation notes	2,361,588	-	2,361,588
Capital lease purchase agreement	-	703,040	703,040
Estimated liability for landfill closure and postclosure care	-	2,747,144	2,747,144
Net OPEB liability	12,234	1,927	14,161
Total liabilities	16,734,756	3,678,281	20,413,037
Net Position			
Net investment in capital assets	38,738,037	2,220,040	40,958,077
Restricted for:			
Supplemental levy purposes	31,325	-	31,325
Mental health purposes	52,374	-	52,374
Rural services purposes	761,247	-	761,247
Secondary roads purposes	2,495,342	-	2,495,342
Law enforcement purposes	177,843	-	177,843
Landfill closure and postclosure care	-	597,139	597,139
Other purposes	691,420	136,562	827,982
Unrestricted	238,580	2,088,512	2,327,092
Total net position	\$ 43,186,168	5,042,253	48,228,421

See notes to financial statements.

Boone County
Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
			Interest	Interest			
Functions/Programs:							
Governmental activities:							
Public safety and legal services	\$ 3,170,636	658,649	47,120	-	(2,464,867)	-	(2,464,867)
Physical health and social services	615,143	16,588	2,221,934	-	1,623,379	-	1,623,379
Mental health	1,303,401	143,805	-	-	(1,159,596)	-	(1,159,596)
County environment and education	1,726,666	434,149	83,523	-	(1,208,994)	-	(1,208,994)
Roads and transportation	5,964,185	296,847	2,925,303	1,324,518	(1,417,517)	-	(1,417,517)
Governmental services to residents Administration	551,746	515,919	-	-	(35,827)	-	(35,827)
Interest on long-term debt	1,756,440	29,537	3,342	-	(1,723,561)	-	(1,723,561)
	252,613	-	-	-	(252,613)	-	(252,613)
Total governmental activities	15,340,830	2,095,494	5,281,222	1,324,518	(6,639,596)	-	(6,639,596)
Business type activities:							
Solid waste	2,391,237	2,378,195	606	-	-	(12,436)	(12,436)
Total	\$ 17,732,067	4,473,689	5,281,828	1,324,518	(6,639,596)	(12,436)	(6,652,032)
General Revenues:							
Property and other county tax levied for:							
General purposes					7,080,347	-	7,080,347
Debt service					596,261	-	596,261
Tax increment financing					150,090	-	150,090
Penalty and interest on property tax					92,893	-	92,893
State tax credits					325,030	-	325,030
Local option sales tax					862,332	-	862,332
Grants and contributions not restricted to specific purposes					59,307	-	59,307
Unrestricted investment earnings					87,241	14,647	101,888
Gain on disposition of capital assets					75,352	-	75,352
Miscellaneous					83,386	-	83,386
Total general revenues					9,412,239	14,647	9,426,886
Change in net position					2,772,643	2,211	2,774,854
Net position beginning of year, as restated					40,413,525	5,040,042	45,453,567
Net position end of year					\$ 43,186,168	5,042,253	48,228,421

See notes to financial statements.

Boone County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 2,214,871	1,196,180	608,146	1,137,058
Receivables:				
Property tax:				
Delinquent	20,428	3,811	4,276	-
Succeeding year	4,497,000	838,000	1,860,000	-
Interest and penalty on property tax	112,357	-	-	-
Accounts	14,702	-	-	9,991
Accrued interest	9,622	-	-	-
Drainage assessments	-	-	-	-
Special assessments	12,744	-	-	-
Road assessments	-	-	-	26,553
Loan	100,000	-	-	-
Due from other funds	7,902	-	-	7,027
Due from other governments	1,808,753	22,564	154,217	447,908
Inventories	-	-	-	1,158,887
Total assets	\$ 8,798,379	2,060,555	2,626,639	2,787,424
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,804,952	103,943	1,918	42,261
Salaries and benefits payable	63,054	2,960	2,534	40,152
Due to other funds	10,281	-	940	71
Due to other governments	12,149	1,036,737	-	231
Deferred revenue:				
Succeeding year property tax	4,497,000	838,000	1,860,000	-
Other	161,416	3,683	57,334	26,553
Total liabilities	6,548,852	1,985,323	1,922,726	109,268
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,158,887
Restricted for:				
Supplemental levy purposes	29,476	-	-	-
Mental health purposes	-	75,232	-	-
Rural services purposes	-	-	703,913	-
Secondary roads purposes	-	-	-	1,519,269
Conservation land acquisition/ capital improvements	37,105	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Law enforcement purposes	177,843	-	-	-
Resource enhancement and protection	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,005,103	-	-	-
Total fund balances	2,249,527	75,232	703,913	2,678,156
Total liabilities and fund balances	\$ 8,798,379	2,060,555	2,626,639	2,787,424

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
220,529	664,271	452,910	6,493,965
2,409	-	-	30,924
536,000	-	157,000	7,888,000
-	-	-	112,357
-	-	3,748	28,441
-	-	73	9,695
-	-	47,035	47,035
-	-	-	12,744
-	-	-	26,553
-	-	-	100,000
-	-	141	15,070
-	-	1,372	2,434,814
-	-	-	1,158,887
758,938	664,271	662,279	18,358,485
-	-	-	1,953,074
-	-	-	108,700
-	-	-	11,292
-	-	2,616	1,051,733
536,000	-	157,000	7,888,000
2,330	-	47,788	299,104
538,330	-	207,404	11,311,903
-	-	-	1,158,887
-	-	-	29,476
-	-	-	75,232
-	-	-	703,913
-	-	-	1,519,269
-	-	-	37,105
220,608	-	1,292	221,900
-	664,271	-	664,271
-	-	-	177,843
-	-	135,123	135,123
-	-	318,460	318,460
-	-	-	2,005,103
220,608	664,271	454,875	7,046,582
758,938	664,271	662,279	18,358,485

Boone County

Boone County

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

June 30, 2013

Total governmental fund balances (page 27)	\$ 7,046,582
<i>Amounts reported for governmental activities in the Statement of Net Position 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 \$71,992,066 and the accumulated depreciation is \$30,418,335.	41,573,731
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	299,104
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(5,733,249)</u>
Net position of governmental activities (page 24)	<u><u>\$ 43,186,168</u></u>

See notes to financial statements.

Boone County

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

Year ended June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,474,024	842,073	1,757,386	-
Local option sales tax	208,583	-	625,749	-
Interest and penalty on property tax	68,784	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	2,874,691	242,309	97,955	3,487,907
Licenses and permits	16,475	-	-	2,515
Charges for service	1,006,837	-	30,647	961
Use of money and property	126,661	-	-	-
Miscellaneous	91,392	1,167	63	96,738
Total revenues	8,867,447	1,085,549	2,511,800	3,588,121
Expenditures:				
Operating:				
Public safety and legal services	2,919,253	-	148,781	-
Physical health and social services	617,137	-	-	-
Mental health	-	1,299,546	-	-
County environment and education	690,526	-	264,034	-
Roads and transportation	-	-	-	4,997,451
Governmental services to residents	546,835	-	1,042	-
Administration	1,582,486	-	-	-
Debt service	-	-	-	-
Capital projects	2,131,377	-	-	336,938
Total expenditures	8,487,614	1,299,546	413,857	5,334,389
Excess (deficiency) of revenues over (under) expenditures	379,833	(213,997)	2,097,943	(1,746,268)
Other financing sources (uses):				
Sale of capital assets	10,774	-	-	3,175
Operating transfers in	-	-	-	1,978,513
Operating transfers out	-	-	(1,978,513)	-
Total other financing sources (uses)	10,774	-	(1,978,513)	1,981,688
Change in fund balances	390,607	(213,997)	119,430	235,420
Fund balances beginning of year, as restated	1,858,920	289,229	584,483	2,442,736
Fund balances end of year	\$ 2,249,527	75,232	703,913	2,678,156

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
598,517	-	-	7,672,000
-	-	-	834,332
-	-	-	68,784
-	-	150,090	150,090
25,081	-	14,612	6,742,555
-	-	-	18,990
-	-	6,424	1,044,869
-	-	14,030	140,691
-	-	145,168	334,528
623,598	-	330,324	17,006,839
-	-	65,688	3,133,722
-	-	-	617,137
-	-	-	1,299,546
-	469,739	84,744	1,509,043
-	-	-	4,997,451
-	-	14,031	561,908
-	-	-	1,582,486
697,402	-	-	697,402
-	-	-	2,468,315
697,402	469,739	164,463	16,867,010
(73,804)	(469,739)	165,861	139,829
-	-	-	13,949
157,700	-	-	2,136,213
-	-	(157,700)	(2,136,213)
157,700	-	(157,700)	13,949
83,896	(469,739)	8,161	153,778
136,712	1,134,010	446,714	6,892,804
220,608	664,271	454,875	7,046,582

Boone County

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

Year ended June 30, 2013

Change in fund balances - Total governmental funds (page 31) \$ 153,778

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	\$ 3,124,995	
Capital assets contributed by the Iowa Department of Transportation	1,124,992	
Depreciation expense	<u>(2,043,946)</u>	2,206,041

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. 75,352

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

Property tax	4,608	
Other	<u>(88,463)</u>	(83,855)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 379,909

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	(32,747)	
Other postemployment benefits	9,285	
Interest on long-term debt	<u>64,880</u>	<u>41,418</u>

Change in net position of governmental activities (page 25) \$ 2,772,643

See notes to financial statements.

Boone County
Statement of Net Position
Proprietary Funds

June 30, 2013

	Enterprise		Total
	Nonmajor		
	Landfill Operations	Ground Water Tax	
Assets			
Cash and cash equivalents	\$ 2,062,494	104,076	2,166,570
Cash and cash equivalents - restricted	3,338,579	-	3,338,579
Receivables:			
Accounts	200,132	12,769	212,901
Accrued interest	5,704	-	5,704
Due from other funds	4,808	20,942	25,750
Capital assets, net of accumulated depreciation	3,000,558	-	3,000,558
Total assets	8,612,275	137,787	8,750,062
Liabilities			
Accounts payable	79,655	1,225	80,880
Salaries and benefits payable	8,055	-	8,055
Due to other funds	29,528	-	29,528
Due to other governments	31,423	-	31,423
Long-term liabilities:			
Portion due or payable within one year:			
SWAP loan	1,707	-	1,707
Capital lease purchase agreement	75,771	-	75,771
Compensated absences	28,334	-	28,334
Portion due or payable after one year:			
Capital lease purchase agreement	703,040	-	703,040
Estimated liability for landfill closure and postclosure care	2,747,144	-	2,747,144
Net OPEB liability	1,927	-	1,927
Total liabilities	3,706,584	1,225	3,707,809
Net Position			
Net investment in capital assets	2,220,040	-	2,220,040
Restricted for:			
Ground water tax purposes	-	136,562	136,562
Landfill closure and postclosure care	597,139	-	597,139
Unrestricted	2,088,512	-	2,088,512
Total net position	\$ 4,905,691	136,562	5,042,253

See notes to financial statements.

Boone County

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

Year ended June 30, 2013

	Enterprise		Total
	Landfill Operations	Nonmajor Ground Water Tax	
Operating revenues:			
Charges for service	\$ 1,913,262	76,461	1,989,723
Per capita fees	176,105	-	176,105
Solid waste fees	190,644	-	190,644
Miscellaneous	21,723	-	21,723
Total operating revenues	2,301,734	76,461	2,378,195
Operating expenses:			
Salaries and wages	402,561	-	402,561
Payroll tax	64,975	-	64,975
Fringe benefits	77,889	-	77,889
Fuel	165,096	-	165,096
Travel	2,806	-	2,806
Utilities	14,780	-	14,780
Insurance	22,857	-	22,857
Solid waste fees remitted to the Iowa Department of Natural Resources and Ground Water Tax Fund	162,412	-	162,412
Education and training	36,712	-	36,712
Equipment	46,405	-	46,405
Engineering	36,034	-	36,034
Maintenance and repair Operations	257,787	-	257,787
Depreciation	57,036	-	57,036
Dues and membership	323,870	-	323,870
Accounting	2,734	-	2,734
Recycling center operations	34,145	-	34,145
Gravel	250,023	56,772	306,795
Leachate hauling and treatment	39,396	-	39,396
Keep Boone County beautiful	30,866	-	30,866
Adjustment to estimated liability for landfill closure and postclosure care	8,969	-	8,969
Total operating expenses	266,427	-	266,427
Operating income (loss)	2,303,780	56,772	2,360,552
Operating income (loss)	(2,046)	19,689	17,643
Non-operating revenues (expenses):			
Grants	606	-	606
Interest expense	(30,685)	-	(30,685)
Interest income	14,647	-	14,647
Total non-operating revenues (expenses)	(15,432)	-	(15,432)
Change in net position	(17,478)	19,689	2,211
Net position beginning of year	4,923,169	116,873	5,040,042
Net position end of year	\$ 4,905,691	136,562	5,042,253

See notes to financial statements.

Boone County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

	Enterprise		Total
	Landfill Operations	Nonmajor Ground Water Tax	
Cash flows from operating activities:			
Cash received from gate fees	\$ 2,111,391	(12,769)	2,098,622
Cash received from per capita fee assessments	176,105	-	176,105
Cash received from other operating receipts	30,489	83,019	113,508
Cash paid to suppliers for goods and services	(1,166,844)	(57,350)	(1,224,194)
Cash paid to employees for services	(567,930)	-	(567,930)
Net cash provided by operating activities	<u>583,211</u>	<u>12,900</u>	<u>596,111</u>
Cash flows from noncapital financing activities:			
Grant	606	-	606
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(22,793)	-	(22,793)
Repayment of capital lease purchase agreement principal	(72,986)	-	(72,986)
Repayment of SWAP loan principal	(9,382)	-	(9,382)
Interest paid	(30,685)	-	(30,685)
Net cash used by capital and related financing activities	<u>(135,846)</u>	<u>-</u>	<u>(135,846)</u>
Cash flows from investing activities:			
Interest received on investments	12,790	-	12,790
Net increase in cash and cash equivalents	460,761	12,900	473,661
Cash and cash equivalents beginning of year	4,940,312	91,176	5,031,488
Cash and cash equivalents end of year	<u>\$ 5,401,073</u>	<u>104,076</u>	<u>5,505,149</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (2,046)	19,689	17,643
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	323,870	-	323,870
Closure and postclosure care	266,427	-	266,427
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	7,485	(12,769)	(5,284)
Decrease in due from other governments	8,766	-	8,766
Decrease in due from other funds	6,026	6,558	12,584
Decrease in accounts payable	(5,722)	(578)	(6,300)
Decrease in salaries payable	(1,216)	-	(1,216)
Decrease in due to other funds	(6,611)	-	(6,611)
Decrease in due to other governments	(9,827)	-	(9,827)
Decrease in net OPEB liability	(691)	-	(691)
Decrease in compensated absences	(3,250)	-	(3,250)
Total adjustments	<u>585,257</u>	<u>(6,789)</u>	<u>578,468</u>
Net cash provided by operating activities	<u>\$ 583,211</u>	<u>12,900</u>	<u>596,111</u>

See notes to financial statements.

Boone County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,883,580
Other County officials	40,039
Receivables:	
Property tax:	
Delinquent	152,082
Succeeding year	29,323,800
Accounts	38,947
Special assessments	303,776
Due from other governments	303,984
Total assets	<u>32,046,208</u>

Liabilities

Accounts payable	51,591
Salaries and benefits payable	20,332
Due to other governments	31,376,093
Trusts payable	502,826
Compensated absences	95,366
Total liabilities	<u>32,046,208</u>

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

Boone County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Boone County Assessor's Conference Board, Boone County Emergency Management Commission, County Community Services and the Boone County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Funds are charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
Equipment and vehicles	5,000

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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.

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

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2013, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$178,295 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Rural Services	\$ 141
	Secondary Roads	71
	Enterprise:	
	Landfill Operations	7,690
		<u>7,902</u>
Special Revenue:		
Secondary Roads	General	5,332
	Special Revenue:	
	Rural Services	799
	Enterprise:	
	Landfill Operations	896
		<u>7,027</u>
Special Revenue:	Enterprise:	
County Recorders		
Records Management	General	141
Enterprise:		
Landfill operations	General	4,808
Ground Water Tax	Landfill Operations	20,942
		<u>\$ 40,820</u>
Total		

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, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,978,513
Debt Service	Special Revenue:	
	County TIF Project	157,700
		<u>\$ 2,136,213</u>
Total		

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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,813,085	14,200	-	1,827,285
Construction in progress	1,019,824	3,761,909	(1,602,807)	3,178,926
Total capital assets not being depreciated	2,832,909	3,776,109	(1,602,807)	5,006,211
Capital assets being depreciated:				
Buildings	6,039,710	47,244	-	6,086,954
Improvements other than buildings	251,714	-	-	251,714
Equipment and vehicles	9,545,006	538,434	(334,027)	9,749,413
Infrastructure, other	6,062,513	-	-	6,062,513
Infrastructure, road network	43,232,454	1,602,807	-	44,835,261
Total capital assets being depreciated	65,131,397	2,188,485	(334,027)	66,985,855
Less accumulated depreciation for:				
Buildings	1,778,505	146,397	-	1,924,902
Improvements other than buildings	61,874	6,293	-	68,167
Equipment and vehicles	8,543,765	541,147	(297,579)	8,787,333
Infrastructure, other	606,251	303,126	-	909,377
Infrastructure, road network	17,681,573	1,046,983	-	18,728,556
Total accumulated depreciation	28,671,968	2,043,946	(297,579)	30,418,335
Total capital assets being depreciated, net	36,459,429	144,539	(36,448)	36,567,520
Governmental activities capital assets, net	\$ 39,292,338	3,920,648	(1,639,255)	41,573,731
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 488,499	-	-	488,499
Construction in progress	-	22,793	-	22,793
Total capital assets not being depreciated	488,499	22,793	-	511,292
Capital assets being depreciated:				
Buildings	443,091	-	-	443,091
Equipment and vehicles	4,226,741	-	-	4,226,741
Infrastructure	1,573,884	-	-	1,573,884
Total capital assets being depreciated	6,243,716	-	-	6,243,716
Less accumulated depreciation for:				
Buildings	161,675	11,077	-	172,752
Equipment and vehicles	2,615,721	236,692	-	2,852,413
Infrastructure	653,184	76,101	-	729,285
Total accumulated depreciation	3,430,580	323,870	-	3,754,450
Total capital assets being depreciated, net	2,813,136	(323,870)	-	2,489,266
Business type activities capital assets, net	\$ 3,301,635	(301,077)	-	3,000,558

During the year ended June 30, 2012 the County acquired a shredder and excavator for the Landfill under a capital lease purchase agreement. The cost of the equipment was \$863,698 and the accumulated depreciation at June 30, 2013 was \$172,680.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 53,781
County environment and education	353,999
Roads and transportation	1,457,639
Governmental services to residents	1,481
Administration	171,298
Total depreciation expense - governmental activities	<u>\$ 2,043,946</u>
Business type activities:	
Landfill operations	<u>\$ 323,870</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 12,149
Special Revenue:		
Mental Health	Services	1,036,737
Secondary Roads	Services	231
Task Force	Services	1,308
Attorney Drug Prosecution	Services	1,308
Total for governmental funds		<u>\$ 1,051,733</u>
Agency:		
Agricultural Extension Education	Collections	\$ 193,703
County Assessor		801,302
Schools		18,677,085
Community Colleges		818,013
Corporations		7,970,188
Townships		401,402
Auto License and Use Tax		590,972
Special Assessments		315,619
County Hospital		1,090,882
E911		478,531
All other		38,396
Total for agency funds		<u>\$ 31,376,093</u>

(7) Long-Term Liabilities

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

	Governmental Activities				
	General Obligation Capital Loan Notes	Urban Renewal General Obligation Capital Loan Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,216,355	2,450,836	366,805	21,519	6,055,515
Increases	-	752	297,368	7,550	305,670
Decreases	380,661	-	264,621	16,835	662,117
Balance end of year	<u>\$ 2,835,694</u>	<u>2,451,588</u>	<u>399,552</u>	<u>12,234</u>	<u>5,699,068</u>
Due within one year	<u>\$ 440,000</u>	<u>90,000</u>	<u>399,552</u>	<u>-</u>	<u>929,552</u>

	Business Type Activities					
	Landfill					Total
	SWAP Loans	Capital Lease Purchase Agreement	Compen- sated Absences	Closure and Postclosure Care	Net OPEB Liability	
Balance beginning of year	\$ 11,089	851,797	31,584	2,480,717	2,618	3,377,805
Increases	-	-	27,667	266,427	1,960	296,054
Decreases	9,382	72,986	30,917	-	2,651	115,936
Balance end of year	\$ 1,707	778,811	28,334	2,747,144	1,927	3,557,923
Due within one year	\$ 1,707	75,771	28,334	-	-	105,812

General Obligation Capital Loan Notes

A summary of the County's June 30, 2013 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Capital Loan Note, Series 2010			Capital Loan Note, Series 2009A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	1.65%	\$ 390,000	38,640	4.50%	\$ 50,000	78,175
2015	2.10	400,000	32,205	4.50	50,000	75,925
2016	2.40	400,000	23,805	4.75	55,000	73,675
2017	2.70	415,000	14,205	5.00	60,000	71,063
2018	3.00	100,000	3,000	5.25	65,000	68,062
2019-2023	-	-	-	5.50-5.90	385,000	283,710
2024-2028	-	-	-	6.00-6.40	545,000	151,215
2029	-	-	-	6.50	135,000	8,775
Total		\$ 1,705,000 *	111,855		\$ 1,345,000	810,600

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 440,000	116,815	556,815
2015	450,000	108,130	558,130
2016	455,000	97,480	552,480
2017	475,000	85,268	560,268
2018	165,000	71,062	236,062
2019-2023	385,000	283,710	668,710
2024-2028	545,000	151,215	696,215
2029	135,000	8,775	143,775
Total	\$3,050,000	922,455	3,972,455

* The Series 2010 Note had unamortized discount totaling \$214,306 at June 30, 2013.

During the year ended June 30, 2013, the County retired \$425,000 of general obligation capital loan notes.

Urban Renewal General Obligation Capital Loan Notes

On September 7, 2011, the County issued \$2,465,000 of urban renewal general obligation capital loan notes, Series 2011 dated September 1, 2011 for the purpose of retiring the outstanding balance of \$1,046,891 of the general obligation capital loan anticipation project notes, Series 2009B dated April 1, 2009 and to guarantee the principal and interest payments of a Central Iowa Expo loan with Vision Bank (formerly Community Bank of Boone) through June 2014. As of June 30, 2013, the County has remitted \$1,862,252 to Vision Bank on behalf of Central Iowa Expo, Inc. The County does not

anticipate Central Iowa Expo will be able to repay the loan and, therefore, a loan receivable has not been established.

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

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

Year Ending June 30,	Capital Loan Note, Series 2011			
	Interest Rates	Principal	Interest	Total
2014	1.00%	\$ 90,000	88,273	178,273
2015	1.25	95,000	87,372	182,372
2016	1.50	100,000	86,185	186,185
2017	1.80	100,000	84,685	184,685
2018	2.20	110,000	82,885	192,885
2019-2023	2.60-3.75	610,000	367,735	977,735
2024-2028	4.00-4.50	780,000	241,525	1,021,525
2029-2031	4.60-4.80	580,000	56,130	636,130
Total		\$ 2,465,000 *	1,094,790	3,559,790

*The Series 2011 notes had unamortized discount totaling \$13,412 at June 30, 2013.

Solid Waste Alternative Program (SWAP) Loans

In September 2009, the County entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of purchasing a recycling collection truck. The agreement, as amended, awarded a total of \$30,219 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$10,219. The term of the zero interest loan is 48 months and requires quarterly payments of \$852, which began April 15, 2010. At June 30, 2013, there were no unmet conditions to be achieved for loan forgiveness. During the year ended June 30, 2013, the County paid the remaining balance of \$2,554.

In December 2008, the County entered into a loan agreement with the Iowa Department of Natural Resources to provide funds to assist with the cost of expanding the County's recycling program. The agreement, as amended, awarded a total of \$47,309 in the form of a forgivable loan of \$20,000 and a zero interest loan of \$27,309. The term of the zero interest loan is 48 months and requires quarterly payments of \$1,707, which began October 15, 2009. At June 30, 2013, there were no unmet conditions to be achieved for loan forgiveness. The balance outstanding on the zero interest loan at June 30, 2013 was \$1,707.

Capital Lease Purchase Agreement

In March 2012, the County entered into a capital lease purchase agreement for a shredder and excavator for the Landfill. The agreement is for a period of ten years at an interest rate of 3.75% per annum. For the current year, principal and interest paid and total customer net receipts (operating loss adding back depreciation) were \$103,671 and \$321,824, respectively.

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

Year Ending June 30,	Total
2014	\$ 103,671
2015	103,671
2016	103,671
2017	103,671
2018	103,671
2019-2022	<u>397,406</u>
Total minimum lease payments	915,761
Less amount representing interest	<u>(136,950)</u>
Present value of net minimum lease payments	<u>\$ 778,811</u>

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

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

(8) Contingent Liability

On August 8, 2012, the County entered into a loan agreement to borrow up to \$632,663 from SunTrust Equipment Finance and Leasing Corporation for the purchase of Motorola 911 Critical Communication System. The loan agreement is to be repaid in 5 annual installments of \$133,813, including interest at 2.362% per annum, beginning December 1, 2012. During the year ended June 30, 2013, the E911 Service Board paid principal of \$127,586 and interest of \$6,227 on the loan, for a total of \$133,813.

The County is contingently liable on the \$505,076 lease outstanding at June 30, 2013. Since the interest and lease principal is currently paid from E911 Service Board revenues, this liability has not been recorded in the Statement of Net Position. However, since the County has signed the note, if the revenues of the E911 Service Board are not adequate, a tax may be levied on all taxable property in the County to repay the note.

The transactions for this loan are accounted for in an Agency Fund. The assets and liabilities of the E911 Service Board Fund, an Agency Fund included as part of Other purchased and the lease payable by the E911 Service Board have not been reported in the E911 Service Board Fund.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012

and 2011 were \$563,952, \$523,958 and \$471,029, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 126 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 9,910
Interest on net OPEB obligation	1,100
Adjustment to annual required contributions	(1,500)
Annual OPEB cost	<u>9,510</u>
Contribution made	(19,486)
Decrease in net OPEB obligation	<u>(9,976)</u>
Net OPEB obligation beginning of year	<u>24,137</u>
Net OPEB obligation end of year	<u><u>\$ 14,161</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$19,486 to the medical plan. Plan members eligible for benefits contributed \$38,972, or 67% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 10,388	117.0%	\$ 16,596
2012	9,638	21.8	24,137
2013	9,510	204.9	14,161

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$75,555, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,555. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,505,000 and the ratio of UAAL to covered payroll was 1.2%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County’s funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$530 per month for retirees less than age 65 and \$1,188 per month for family plans of retirees less than age 65 under Iowa State Association of Counties (ISAC) plan 9, \$513 per month for retirees less than age 65 and \$1,150 per month for family plans of retirees less than age 65 under ISAC plan 10 and \$502 per month for retirees less than age 65 and \$1,122 per month for family plans of retirees less than age 65 under ISAC plan 13. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Operating Lease Agreement

The County renewed a lease during the year ended June 30, 2013. The County is leasing space for the Boone County Recycling Center.

The following is a schedule of future minimum rental payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2013:

Year Ending June 30,	Amount
2014	\$ 48,000
2015	48,000
2016	48,000
2017	48,000
2018	36,000
Total	<u>\$ 228,000</u>

Rental expense for the year ended June 30, 2013 for this operating lease totaled \$48,000.

(12) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% 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, 2013 were \$105,855.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their

capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Senior Living Facility Revenue Notes

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

(14) Loans to County Community Service Case Management Fund

Effective July 1, 2007, Madison and Boone Counties entered into a 28E agreement to establish an administrative organization titled County Community Services. The purpose of the organization is to manage mental health and developmental disability services for the counties and provide targeted case management services. The agreement did not establish a legally separate entity. Instead, Boone County is to provide administrative services for the organization and has established an Agency, County Community Service Case Management Fund for this purpose. In July 2006, Boone County agreed to loan \$100,000 and Madison County agreed to loan \$25,000 with another \$15,000 in October 2006 for necessary cash flow. The County is establishing formal repayment schedules for the loans. At June 30, 2013, neither loan had been repaid.

(15) Closure and Postclosure Care

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

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

These costs for the Boone County Landfill have been estimated at \$1,695,300 for closure and \$1,569,000 for postclosure care, for a total of \$3,264,300 as of June 30, 2013 for the original and expansion areas combined. The portion of the liability that has been recognized is \$2,747,144. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 4 years for the expansion area and the capacity used at June 30, 2013 is 77%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$3,344,283 are restricted for these purposes, of which \$1,747,755 is for closure and \$1,596,528 is for postclosure care.

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

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

(16) Solid Waste Tonnage Fees Retained

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

As of June 30, 2013, net position of \$136,562 has been retained by the County and restricted for the required purposes.

(17) Restatement

The beginning net position and fund balance for governmental activities and the Special Revenue, Mental Health Fund, respectively, were restated for a payable not previously recorded.

	Governmental Activities	Mental Health Fund
Balances June 30, 2012, as previously reported	\$ 41,175,905	1,051,609
Less: payable not previously recorded	(762,380)	(762,380)
Balances July 1, 2012, as restated	\$ 40,413,525	289,229

Required Supplementary Information

Boone County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,663,576	-	8,663,576
Penalty and interest on property tax	72,699	-	72,699
Intergovernmental	5,571,662	-	5,571,662
Licenses and permits	19,230	-	19,230
Charges for service	1,033,947	-	1,033,947
Use of money and property	116,552	-	116,552
Miscellaneous	393,287	104,536	288,751
Total receipts	15,870,953	104,536	15,766,417
Disbursements:			
Public safety and legal services	3,139,221	-	3,139,221
Physical health and social services	627,502	-	627,502
Mental health	990,305	-	990,305
County environment and education	1,500,396	54,874	1,445,522
Roads and transportation	5,320,086	-	5,320,086
Governmental services to residents	566,033	-	566,033
Administration	1,611,502	-	1,611,502
Debt service	697,402	-	697,402
Capital projects	1,286,458	-	1,286,458
Total disbursements	15,738,905	54,874	15,684,031
Excess (deficiency) of receipts over (under) disbursements	132,048	49,662	82,386
Other financing sources, net	18,257	-	18,257
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	150,305	49,662	100,643
Balance beginning of year	6,343,660	76,550	6,267,110
Balance end of year	\$ 6,493,965	126,212	6,367,753

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
8,703,729	8,717,625	(54,049)
80,500	80,500	(7,801)
6,597,512	6,323,230	(751,568)
15,500	15,500	3,730
983,854	1,098,474	(64,527)
181,415	196,201	(79,649)
647,300	693,190	(404,439)
<u>17,209,810</u>	<u>17,124,720</u>	<u>(1,358,303)</u>
3,332,582	3,342,407	203,186
788,333	797,533	170,031
2,731,750	2,731,750	1,741,445
2,186,011	1,760,947	315,425
5,430,000	5,820,000	499,914
606,519	632,502	66,469
1,910,329	1,923,629	312,127
759,480	831,465	134,063
1,921,200	3,181,200	1,894,742
<u>19,666,204</u>	<u>21,021,433</u>	<u>5,337,402</u>
(2,456,394)	(3,896,713)	3,979,099
<u>12,000</u>	<u>12,000</u>	<u>6,257</u>
(2,444,394)	(3,884,713)	3,985,356
<u>5,561,857</u>	<u>6,137,517</u>	<u>129,593</u>
<u>3,117,463</u>	<u>2,252,804</u>	<u>4,114,949</u>

Boone County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,870,953	1,135,886	17,006,839
Expenditures	15,738,905	1,128,105	16,867,010
Net	132,048	7,781	139,829
Other financing sources, net	18,257	(4,308)	13,949
Beginning fund balances	6,343,660	549,144	6,892,804
Ending fund balances	\$ 6,493,965	552,617	7,046,582

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,355,229. The budget amendment is reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

Boone County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 74	74	0.00%	\$ 5,226	1.40%
2010	Jul 1, 2008	-	74	74	0.00	6,273	1.20
2011	Jul 1, 2008	-	74	74	0.00	6,595	1.10
2012	Jul 1, 2011	-	76	76	0.00	6,405	1.20
2013	Jul 1, 2011	-	76	76	0.00	6,505	1.20

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

See accompanying independent auditor's report.

Supplementary Information

Boone County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection	Special Task Force
Assets				
Cash, cash equivalents and pooled investments	\$ 48,442	126,212	135,050	49,735
Receivables:				
Succeeding year property tax	-	-	-	-
Accounts	-	-	-	659
Accrued interest	-	-	73	-
Drainage assessments	-	47,035	-	-
Due from other funds	141	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 48,583	173,247	135,123	50,394
Liabilities and Fund Balances				
Liabilities:				
Due to other governments	\$ -	-	-	1,308
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	47,035	-	-
Total liabilities	-	47,035	-	1,308
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Resource enhancement and protection	-	-	135,123	-
Other purposes	48,583	126,212	-	49,086
Total fund balances	48,583	126,212	135,123	49,086
Total liabilities and fund balances	\$ 48,583	173,247	135,123	50,394

See accompanying independent auditor's report.

Revenue						
Attorney Drug Prosecution	Tobacco and Alcohol Enforcement	Jail Commissary	Reserve Deputy	County TIF Project	Total	
33,914	2,413	51,663	4,189	1,292	452,910	
-	-	-	-	157,000	157,000	
576	-	1,040	720	753	3,748	
-	-	-	-	-	73	
-	-	-	-	-	47,035	
-	-	-	-	-	141	
1,372	-	-	-	-	1,372	
35,862	2,413	52,703	4,909	159,045	662,279	
1,308	-	-	-	-	2,616	
-	-	-	-	157,000	157,000	
-	-	-	-	753	47,788	
1,308	-	-	-	157,753	207,404	
-	-	-	-	1,292	1,292	
-	-	-	-	-	135,123	
34,554	2,413	52,703	4,909	-	318,460	
34,554	2,413	52,703	4,909	1,292	454,875	
35,862	2,413	52,703	4,909	159,045	662,279	

Boone County

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

Year ended June 30, 2013

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Resource Enhancement and Protection
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	-	-	-	6,893
Charges for service	6,424	-	-	-
Use of money and property	142	-	-	615
Miscellaneous	-	-	104,536	-
Total revenues	6,566	-	104,536	7,508
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	54,874	29,870
Governmental services to residents	14,027	4	-	-
Total expenditures	14,027	4	54,874	29,870
Excess (deficiency) of revenues over (under) expenditures	(7,461)	(4)	49,662	(22,362)
Other financing uses:				
Operating transfers out	-	-	-	-
Changes in fund balance	(7,461)	(4)	49,662	(22,362)
Fund balances beginning of year	56,044	4	76,550	157,485
Fund balances end of year	\$ 48,583	-	126,212	135,123

See accompanying independent auditor's report.

Special Revenue							
Task Force	Attorney Drug Prosecution	Tobacco and Alcohol Enforcement	Jail Commissary	Reserve Deputy	County TIF Project		Total
-	-	-	-	-	150,090		150,090
-	7,319	400	-	-	-		14,612
-	-	-	-	-	-		6,424
-	-	-	13,273	-	-		14,030
19,173	17,259	-	-	4,200	-		145,168
19,173	24,578	400	13,273	4,200	150,090		330,324
47,059	4,210	-	10,394	4,025	-		65,688
-	-	-	-	-	-		84,744
-	-	-	-	-	-		14,031
47,059	4,210	-	10,394	4,025	-		164,463
(27,886)	20,368	400	2,879	175	150,090		165,861
-	-	-	-	-	(157,700)		(157,700)
(27,886)	20,368	400	2,879	175	(7,610)		8,161
76,972	14,186	2,013	49,824	4,734	8,902		446,714
49,086	34,554	2,413	52,703	4,909	1,292		454,875

Boone County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,832	236,739	183,050	6,357
Other County officials	40,039	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	871	2,753	81,035	3,656
Succeeding year	-	191,000	606,000	18,413,000	808,000
Accounts	1,097	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 41,136	193,703	845,492	18,677,085	818,013
Liabilities					
Accounts payable	\$ -	-	846	-	-
Salaries and benefits payable	-	-	7,295	-	-
Due to other governments	30,393	193,703	801,302	18,677,085	818,013
Trusts payable	10,743	-	-	-	-
Compensated absences	-	-	36,049	-	-
Total liabilities	\$ 41,136	193,703	845,492	18,677,085	818,013

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
83,375	3,355	590,972	11,843	9,992	427,850	328,215	1,883,580
-	-	-	-	-	-	-	40,039
57,813	1,047	-	-	4,890	-	17	152,082
7,829,000	397,000	-	-	1,076,000	-	3,800	29,323,800
-	-	-	-	-	20,681	17,169	38,947
-	-	-	303,776	-	-	-	303,776
-	-	-	-	-	48,864	255,120	303,984
7,970,188	401,402	590,972	315,619	1,090,882	497,395	604,321	32,046,208
-	-	-	-	-	18,864	31,881	51,591
-	-	-	-	-	-	13,037	20,332
7,970,188	401,402	590,972	315,619	1,090,882	478,531	8,003	31,376,093
-	-	-	-	-	-	492,083	502,826
-	-	-	-	-	-	59,317	95,366
7,970,188	401,402	590,972	315,619	1,090,882	497,395	604,321	32,046,208

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

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 37,294	188,728	958,714	18,721,616	656,509
Additions:					
Property and other county tax	-	192,068	608,714	18,436,880	811,108
E911 surcharge	-	-	-	-	-
State tax credits	-	7,877	23,226	786,745	27,405
Office fees and collections	918,972	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	204,333	-	-
Total additions	918,972	199,945	836,273	19,223,625	838,513
Deductions:					
Agency remittances:					
To other funds	382,768	-	-	-	-
To other governments	327,307	194,970	-	19,268,156	677,009
Trusts paid out	205,055	-	949,495	-	-
Total deductions	915,130	194,970	949,495	19,268,156	677,009
Balances end of year	\$ 41,136	193,703	845,492	18,677,085	818,013

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
7,911,370	396,040	594,455	453,668	1,031,836	482,288	615,747	32,048,265
7,818,928	401,464	-	-	1,079,793	-	4,591	29,353,546
-	-	-	-	-	230,517	-	230,517
308,596	15,923	-	-	42,982	-	162	1,212,916
-	-	-	-	-	-	6,411	925,383
-	-	7,426,670	-	-	-	-	7,426,670
-	-	-	22,408	-	-	-	22,408
-	-	-	-	-	-	1,137,083	1,137,083
-	-	-	-	-	132,467	2,209,554	2,546,354
8,127,524	417,387	7,426,670	22,408	1,122,775	362,984	3,357,801	42,854,877
-	-	290,659	-	-	-	-	673,427
8,068,706	412,025	7,139,494	160,457	1,063,729	-	3,798	37,315,651
-	-	-	-	-	347,877	3,365,429	4,867,856
8,068,706	412,025	7,430,153	160,457	1,063,729	347,877	3,369,227	42,856,934
7,970,188	401,402	590,972	315,619	1,090,882	497,395	604,321	32,046,208

Boone County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 7,822,090	7,624,140	7,362,020	6,833,940
Local option sales tax	834,332	870,967	813,991	770,944
Interest and penalty on property tax	68,784	68,321	78,801	97,131
Intergovernmental	6,742,555	7,383,576	6,752,826	6,721,779
Licenses and permits	18,990	19,645	17,730	15,170
Charges for service	1,044,869	914,070	947,402	946,631
Use of money and property	140,691	208,399	148,592	180,428
Miscellaneous	334,528	400,336	387,811	348,081
Total	<u>\$ 17,006,839</u>	<u>17,489,454</u>	<u>16,509,173</u>	<u>15,914,104</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,133,722	2,991,532	3,050,832	2,818,638
Physical health and social services	617,137	630,996	740,042	790,647
Mental health	1,299,546	3,238,850	2,455,192	2,200,563
County environment and education	1,509,043	2,068,863	2,278,691	1,551,519
Roads and transportation	4,997,451	5,298,333	5,254,482	5,514,468
Governmental services to residents	561,908	541,174	554,193	549,998
Administration	1,582,486	1,560,273	1,663,071	1,713,577
Debt service	697,402	1,716,334	642,994	3,816,125
Capital projects	2,468,315	700,074	311,292	1,294,297
Total	<u>\$ 16,867,010</u>	<u>18,746,429</u>	<u>16,950,789</u>	<u>20,249,832</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
6,482,896	6,145,257	5,678,758	5,391,529	5,355,382	5,316,332
824,876	828,151	790,831	726,317	732,977	697,173
85,812	93,048	76,918	71,901	62,876	66,697
6,350,624	6,196,573	6,177,965	5,518,447	5,758,477	4,640,729
17,324	18,631	25,821	20,933	15,067	60,808
951,013	932,813	916,158	926,680	942,470	884,787
237,426	276,241	343,410	242,346	158,099	129,254
302,259	231,978	257,996	198,900	540,830	212,419
15,252,230	14,722,692	14,267,857	13,097,053	13,566,178	12,008,199
2,753,574	2,685,812	2,507,524	2,393,530	2,117,985	2,013,154
708,696	639,097	660,704	610,980	583,588	597,127
2,510,866	2,986,700	2,671,208	2,479,313	2,341,752	2,005,825
945,822	926,932	933,921	857,742	787,105	758,079
4,767,579	4,831,699	4,322,499	3,881,757	3,990,145	3,581,862
594,094	497,320	495,947	666,018	510,074	470,870
1,797,854	1,591,002	1,338,419	1,217,653	1,202,257	1,064,871
2,101,810	610,659	417,958	416,895	433,595	843,108
234,620	653,859	3,113,667	474,175	1,905,106	706,865
16,414,915	15,423,080	16,461,847	12,998,063	13,871,607	12,041,761

Boone County



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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Boone County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Boone County's Responses to the Findings

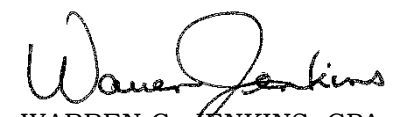
Boone County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Boone County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2014

Boone County

Schedule of Findings

Year ended June 30, 2013

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 – collecting, depositing, posting and daily reconciling.	County Recorder
(2) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	County Treasurer

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

Responses –

County Recorder – Everyone in the office takes in real estate documents over the counter and waits on customers wanting Vital records and DNR registrations. These payments are entered into a payment system on our Recorder’s System. At the end of the day we balance with these reports. It is not always the same person who balances each day. Two of us in the office can do deposits. One of us prepares the deposit for the bank and another enters the information on to an excel spreadsheet. We will work toward segregation of duties to the extent possible with the limited number of staff members in the office.

County Treasurer – It is necessary for everyone in the office to assist customers and collect money at the counter, including the Treasurer. There are a limited number of employees in the office during lunch hours, especially when we have employees gone for vacation time or sick time. Everyone balances their cash drawer separately and then the total day’s business is balanced all together either by the Treasurer or the First Deputy. The Treasurer does the month-end process and apportionment business. Periodically the Treasurer does note a sampling of mail and track it to a deposit and track that deposit to a reconciliation. She will try to do it more often. Typically the Treasurer opens the mail for tax and motor vehicle and then gives that mail to someone else to process.

Conclusions – Responses accepted.

Boone County

Schedule of Findings

Year ended June 30, 2013

- (B) Financial Reporting – A material amount of payables was not recorded in the County’s fiscal year 2012 financial statements.

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

Response – The County asks all department heads to identify which claims are for services or materials ordered and delivered by June 30 each year. We need departments to certify the amount of services ordered and delivered by June 30, in which bills remain outstanding at September 30.

Conclusion – Response accepted.

- (C) County Treasurer – Although monthly bank reconciliations were performed for each bank account, a monthly reconciliation of all bank account balances, including any investments, to the Treasurer’s book balance is not performed.

Recommendation – A monthly bank reconciliation, including all bank account balances and investments, should be performed and reconciled to the Treasurer’s book balance.

Response – We reconcile the bank statement to our book records daily. The bank reconciliation is always balanced with no variance. The real estate tax collections, mobile homes, special assessments, and drainage all balance with no variance comparing it to the abstract annually during the state audit. I will review and consider implementing a monthly bank reconciliation that includes all bank accounts and shows balancing to the Treasurer’s book balance.

Conclusion – Response accepted.

- (D) Iowa Department of Human Services Grants – In January 2014, the Iowa Department of Human Services (DHS) issued a Report and Determination of Formal On-Site Close Out Review. In that letter, DHS found numerous deficiencies in the County’s accounting processes related to three grants funded by DHS, including missing supporting documentation necessary to close out the grants.

Recommendation – The County should work with DHS to resolve the matter and develop procedures to address the identified deficiencies, including maintaining supporting documentation.

Response – Boone County served as fiscal agent for DCAT funding since 2001-2002. The programs kept changing over the years, and our mental health CPC was the general supervisor of the several DCAT coordinators that were in place. He also is in charge of county policies for protected personal health information. To that end, submission of claims to be paid were in summary form to the County Auditor’s office with details to be maintained at the DHS building. Needless to say, when DHS did the close out, documentation was disorganized, sketchy or non-existent according to the final close-out audit by DHS. The DCAT coordinator resigned and, as of December 31, 2013, Boone County terminated its fiscal agent duties.

Conclusion – Response accepted.

Boone County

Schedule of Findings

Year ended June 30, 2013

- (E) County Recorder – Although monthly bank reconciliations were performed, the variance between the book balance and the bank balance at June 30, 2013 was not investigated and resolved.

Recommendation – Variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. Also, all reconciling items between the book and bank balances should be documented each month, including an accounts receivable listing at the end of each month. In addition, the book balance should be reconciled to a listing of month end liabilities.

Response – We use several different reports to see that our bank balance reflects the deposits and the month end liabilities. We also run a monthly list of accounts receivable report that shows billing dates and paid dates. We will work to investigate and resolve in a timely manner any variances between book and bank balances noting reconciling items.

Conclusion – Response accepted.

- (F) Capital Assets – Certain capital assets identified were not included on the capital asset listing. Adjustments were subsequently made by the County to properly include these amounts in the capital asset record.

Recommendation – The County should implement procedures to ensure all capital assets are identified and included in the County’s capital asset record.

Response – It would be helpful if departments identify projects as the budgeting process proceeds, then update the Board of Supervisors when a construction project begins so the Board could assign a project number so all expenditures for the project would be identified as departments submit claims.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Boone County
 Schedule of Findings
 Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Steve Duffy, Supervisor, Owner of Duffy's Inc.	Office and radio equipment	\$ 607
Kathy Pinkerton, Mental Health employee, Owner of Solutions, Inc.	Anti-drug campaign in high schools – education and materials	1,283

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Duffy's, Inc. and Solutions Inc. do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of the Board proceedings were published, a copy of the proceedings was not always furnished to the official newspaper within one week following adjournment of the Board, as required by Chapter 349.18 of the Code of Iowa.

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

Response – The County endeavors to make minutes available for publication within seven days. This is very difficult as the Board of Supervisors has one official meeting each week. We do not send an official copy for publication and the minutes of the previous week are approved by the Board the next Wednesday. The County Auditor's office will endeavor to send approved minutes for publication before noon on Wednesday after they are approved.

Conclusion – Response accepted.

Boone County

Schedule of Findings

Year ended June 30, 2013

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County chose not to dedicate property tax revenue to conservation purposes to the extent required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

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

- (9) Solid Waste Fees Retainage – During the year ended June 30, 2013, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from county operations and, consequently, is not included in Exhibits A or B.

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

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

	Original Area		Expansion Area		Total
	Closure	Postclosure	Closure	Postclosure	
Total estimated costs for closure and postclosure care	\$ 214,700	792,000	1,480,600	777,000	3,264,300
Less: Amounts held in the local dedicated fund at June 30, 2012	(189,100)	(783,000)	(1,457,100)	(768,000)	(3,197,200)
Reallocation of amounts held based on current estimated costs	(25,600)	(9,000)	25,600	9,000	-
Amounts required to be held in the local dedicated fund at June 30, 2013	\$ 214,700	792,000	1,480,600	777,000	3,264,300
Amounts restricted for closure and postclosure care at June 30, 2013	\$ 214,700	792,000	1,533,055	804,528	3,344,283

Boone County

Schedule of Findings

Year ended June 30, 2013

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

The County's TIF debt outstanding at June 30, 2012 was overstated by \$33,148 on the December 1, 2012 Levy Authority Summary. Also, expenditures reported in the TIF Special Revenue Fund were overstated by \$73,643, causing the ending balance to be understated at June 30, 2012.

Recommendation – The County should ensure cash balances reported on the Levy Authority Summary agree with the County's records.

Response – Findings are acknowledged. The TIF report filed was not required December 1, 2012. The County checked with the Department of Management on how to amend the report. Currently there is not provision to do that. I have forwarded the comment to Carrie Johnson at the Department of Management.


Conclusion – Response accepted.

Boone County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Janet K. Mortvedt, CPA, Senior Auditor II
Andi J. Kaufman, CPA, Staff Auditor
Leanna J. Showman, Staff Auditor
Kirstie R. Hill, Staff Auditor
Ashley J. Moser, Assistant Auditor
Ryan A. Pick, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State