



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ June 12, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$25,134,659 for the year ended June 30, 2014, which included \$1,293,310 in tax credits from the state. The County forwarded \$17,074,737 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,059,922 of the local tax revenue to finance County operations, a 3.7% increase over the prior year. Other revenues included charges for service of \$1,427,838, operating grants, contributions and restricted interest of \$4,239,431, capital grants, contributions and restricted interest of \$1,376,666, local option sales tax of \$513,285, unrestricted investment earnings of \$42,915 and other general revenues of \$384,761.

Expenses for County operations for the year ended June 30, 2014 totaled \$13,572,776, a less than 1% decrease from the prior year. Expenses included \$5,812,838 for roads and transportation, \$2,448,876 for public safety and legal services and \$1,414,284 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0043-B00F.pdf>.

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HARRISON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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Harrison County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert V. Smith	Board of Supervisors	Jan 2015
Walter Utman	Board of Supervisors	Jan 2015
Gaylord Pitt	Board of Supervisors	Jan 2017
Susan E. Bonham	County Auditor	Jan 2017
Renee King	County Treasurer	Jan 2015
Lorie A. Thompson	County Recorder	Jan 2015
Patrick Sears	County Sheriff	Jan 2017
Jennifer Mumm	County Attorney	Jan 2015
Dennis Alvis	County Assessor	(Retired)
Brenda Loftus (Appointed)	County Assessor	Jan 2016

Harrison County



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Independent Auditor's Report

To the Officials of Harrison 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 Harrison County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 54 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 Harrison 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 three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified 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 May 15, 2015 on our consideration of Harrison 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 Harrison County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 15, 2015

Harrison County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities increased 8.8%, or approximately \$1,296,000, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest increased approximately \$1,003,000.
- ◆ Program expenses of the County's governmental activities were .2%, or approximately \$23,000, less in fiscal year 2014 than in fiscal year 2013. Administration and mental health function expenses decreased approximately \$583,000 and \$204,000, respectively. Roads and transportation and public safety and legal services function expenses increased approximately \$343,000 and \$314,000, respectively.
- ◆ The County's governmental activities net position increased 5.7%, or approximately \$2,485,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Harrison 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 Harrison 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 Harrison 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 non-major 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, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) A proprietary fund accounts for the County's Enterprise Fund. This fund reports services for which the County charges customers for the service it provides. The proprietary fund is reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary fund and the business type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund financial statements. The Enterprise, Water and Wastewater Disposal System Fund is considered to be a major fund of the County. The County is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

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 trustee controlled 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Harrison County's combined net position increased from approximately \$45.4 million to approximately \$47.8 million. The analysis which follows focuses on the changes in the net position of governmental and business type activities.

Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 22,717	21,744	96	88	22,813	21,832
Capital assets	33,308	32,070	2,146	2,177	35,454	34,247
Total assets	56,025	53,814	2,242	2,265	58,267	56,079
Long-term liabilities	1,583	1,749	712	722	2,295	2,471
Other liabilities	399	632	-	-	399	632
Total liabilities	1,982	2,381	712	722	2,694	3,103
Deferred inflows of resources	7,750	7,625	-	-	7,750	7,625
Net position:						
Net investment in capital assets	33,308	31,845	1,435	1,456	34,743	33,301
Restricted	10,688	10,017	51	43	10,739	10,060
Unrestricted	2,297	1,946	44	44	2,341	1,990
Total net position	\$ 46,293	43,808	1,530	1,543	47,823	45,351

Net position of Harrison County's governmental activities increased 5.7% (approximately \$46.3 million compared to approximately \$43.8 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position component increased approximately \$671,000, or 6.7%, over the prior year. This increase is primarily due to increases in net position restricted for secondary roads purposes and mental health purposes. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,946,000 at June 30, 2013 to approximately \$2,297,000 at the end of this year, an increase of 18.0%.

Changes in Net Position of Governmental and Business Type Activities
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for service	\$ 1,379	1,442	48	48	1,427	1,490
Operating grants and contributions	4,239	4,092	-	-	4,239	4,092
Capital grants and contributions	1,377	374	-	-	1,377	374
General revenues:						
Property and other county tax	7,642	7,423	-	-	7,642	7,423
Penalty and interest on property tax	65	56	-	-	65	56
State tax credits	418	347	-	-	418	347
Local option sales tax	513	522	-	-	513	522
Unrestricted investment earnings	43	42	-	-	43	42
Other general revenues	320	402	-	-	320	402
Total revenues	15,996	14,700	48	48	16,044	14,748
Program expenses:						
Public safety and legal services	2,449	2,135	-	-	2,449	2,135
Physical health and social services	1,414	1,338	-	-	1,414	1,338
Mental health	422	626	-	-	422	626
County environment and education	1,172	1,069	-	-	1,172	1,069
Roads and transportation	5,813	5,470	-	-	5,813	5,470
Governmental services to residents	562	480	-	-	562	480
Administration	1,337	1,920	-	-	1,337	1,920
Non-program	289	466	-	-	289	466
Interest on long-term debt	53	30	-	-	53	30
Water and wastewater disposal system	-	-	61	62	61	62
Total expenses	13,511	13,534	61	62	13,572	13,596
Change in net position	2,485	1,166	(13)	(14)	2,472	1,152
Net position beginning of year	43,808	42,642	1,543	1,557	45,351	44,199
Net position end of year	\$ 46,293	43,808	1,530	1,543	47,823	45,351

Harrison County's net position of governmental activities increased approximately \$2,485,000 during the year. Revenues for governmental activities increased approximately \$1,296,000 over the prior year. Capital grants, contributions and restricted interest increased approximately \$1,003,000, primarily due to increases in infrastructure assets contributed by the State of Iowa.

The County's countywide property tax rate decreased \$.22956 per \$1,000 of taxable valuation and the rural tax rate increased \$.20866 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased \$26,851,237. The countywide assessed property taxable valuation increased \$31,898,020.

The cost of all governmental activities this year was approximately \$13.5 million, approximately \$23,000 less than last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$6.5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,379,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,616,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$5,908,000 to approximately \$6,995,000, principally due to receiving contributions from the Iowa DOT for infrastructure projects.

INDIVIDUAL MAJOR FUND ANALYSIS

As Harrison County completed the year, its governmental funds reported a combined fund balance of approximately \$14.2 million, an increase of approximately \$1,339,000 from last year's total of approximately \$12.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$488,000 and expenditures decreased approximately \$65,000. Property tax increased approximately \$225,000 as a result of increased property tax valuations. The ending fund balance increased approximately \$500,000 over the prior year to approximately \$4,218,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$422,000, a decrease of 32.6% from the prior year. Revenue decreased 20.7% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$351,000 over the prior year to approximately \$1,270,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$206,000 and expenditures and transfers out increased approximately \$107,000. Property tax increased as a result of an increase in the rural services basic levy and increased rural property tax valuations. The ending fund balance increased approximately \$18,000 over the prior year to approximately \$1,472,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$112,000 and expenditures increased approximately \$569,000. The expenditure increase is primarily due to the County's purchase of two motor graders and a loader for approximately \$829,000. The ending fund balance increased approximately \$243,000 over the prior year to approximately \$6,869,000.

Proprietary Fund Highlights

- The Enterprise, Water and Wastewater Disposal System Fund, which accounts for the operation and maintenance of the County's sanitary sewer system, ended fiscal year 2014 with a net position of \$1,530,329 compared to the prior year ending net position balance of \$1,543,359.

BUDGETARY HIGHLIGHTS

Over the course of the year, Harrison County amended its budget one time. The amendment was made on May 29, 2014. This amendment was made to account for additional receipts for mental health and miscellaneous. This amendment was also made to provide for additional disbursements to cover general operating expenses for the public safety and legal services, physical health and social services, county environment and education, governmental services to residents, administration and capital projects functions.

The County's receipts were \$159,714 more than budgeted, a variance of 1.1%. Total disbursements were \$2,439,596 less than the amended budget, a variance of 15.5%. Actual disbursements for the capital projects, mental health and roads and transportation functions were \$864,564, \$542,068 and \$412,046, respectively, less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Harrison County had approximately \$35.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,207,000, or more than 3.5%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 2,127	2,086
Construction in progress	341	595
Buildings and improvements	3,897	3,940
Equipment and vehicles	4,829	4,247
Intangibles	1,017	979
Infrastructure	21,097	20,223
Total	<u>\$ 33,308</u>	<u>32,070</u>
This year's major additions include (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$	1,356
Replacement of Secondary Roads equipment and vehicles		829
Conservation land and capital improvements		175
Other County vehicles		112
Total		<u>\$ 2,472</u>

Capital Assets of Business Type Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Infrastructure	\$ 2,146	2,177

For governmental activities, the County had depreciation expense of \$1,439,567 in fiscal year 2014 and total accumulated depreciation of \$24,811,801 at June 30, 2014. Capital assets for business type activities totaled \$2,146,355 (net of accumulated depreciation) at June 30, 2014. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, Harrison County had approximately \$1,068,000 of debt outstanding, compared to approximately \$1,267,000 at June 30, 2013, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation notes	\$ -	225
Drainage warrants	356	321
Total	\$ 356	546

Outstanding Debt of Business Type Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
USDA sewer revenue notes	\$ 712	721

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Harrison County has no outstanding general obligation debt. The constitutional debt limit of Harrison County is approximately \$66.2 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Harrison County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.0% versus 4.1% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$23 million, a decrease of 5.1% from the final fiscal year 2014 budget. Disbursements are expected to decrease .4% from the final fiscal year 2014 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$2,481,000 by the close of fiscal year 2015.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Harrison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Harrison County Auditor's Office, 111 North Second Ave., Logan, IA 51546.

Basic Financial Statements

Harrison County
Statement of Net Position
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 11,232,232	91,461	11,323,693
Receivables:			
Property tax:			
Delinquent	20,945	-	20,945
Succeeding year	7,750,000	-	7,750,000
Interest and penalty on property tax	27,102	-	27,102
Accounts	66,565	4,032	70,597
Accrued interest	8,536	-	8,536
Drainage assessments	368,976	-	368,976
Due from other governments	490,571	-	490,571
Inventories	2,752,586	-	2,752,586
Capital assets, net of accumulated depreciation/amortization	33,307,946	2,146,355	35,454,301
Total assets	56,025,459	2,241,848	58,267,307
Liabilities			
Accounts payable	293,791	-	293,791
Accrued interest payable	26,269	-	26,269
Salaries and benefits payable	50,045	-	50,045
Due to other governments	29,225	-	29,225
Long-term liabilities:			
Portion due or payable within one year:			
USDA sewer revenue notes	-	10,391	10,391
Compensated absences	172,507	-	172,507
Portion due or payable after one year:			
USDA sewer revenue notes	-	701,128	701,128
Compensated absences	887,212	-	887,212
Drainage warrants	356,413	-	356,413
Net OPEB liability	166,600	-	166,600
Total liabilities	1,982,062	711,519	2,693,581
Deferred Inflows of Resources			
Unavailable property tax revenue	7,750,000	-	7,750,000
Net Position			
Net investment in capital assets	33,307,946	1,434,836	34,742,782
Restricted for:			
Supplemental levy purposes	1,210,564	-	1,210,564
Mental health purposes	1,272,084	-	1,272,084
Rural services purposes	1,464,132	-	1,464,132
Secondary roads purposes	6,102,460	-	6,102,460
Debt service	1,463	31,731	33,194
Capital projects	-	19,274	19,274
Drainage district purposes	12,348	-	12,348
Other purposes	625,612	-	625,612
Unrestricted	2,296,788	44,488	2,341,276
Total net position	\$ 46,293,397	1,530,329	47,823,726

See notes to financial statements.

Harrison County
Statement of Activities
Year ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,448,876	162,851	20,957	-
Physical health and social services	1,414,284	574,399	372,253	-
Mental health	422,482	-	71,891	-
County environment and education	1,172,126	221,303	270,112	20,835
Roads and transportation	5,812,838	59,393	3,310,924	1,355,831
Governmental services to residents	561,908	302,991	21	-
Administration	1,336,805	36,727	5,519	-
Non-program	289,000	21,790	187,754	-
Interest on long-term debt	53,043	-	-	-
Total governmental activities	13,511,362	1,379,454	4,239,431	1,376,666
Business type activities:				
Water and wastewater disposal system	61,414	48,384	-	-
Total	\$ 13,572,776	1,427,838	4,239,431	1,376,666

General Revenues:

Property and other county tax levied for:
General purposes
Debt service
Penalty and interest on property tax
State tax credits
Local option sales tax
Unrestricted investment earnings
Gain on disposition of capital assets
Miscellaneous
Total general revenues
Change in net position
Net position beginning of year
Net position end of year
See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,265,068)	-	(2,265,068)
(467,632)	-	(467,632)
(350,591)	-	(350,591)
(659,876)	-	(659,876)
(1,086,690)	-	(1,086,690)
(258,896)	-	(258,896)
(1,294,559)	-	(1,294,559)
(79,456)	-	(79,456)
(53,043)	-	(53,043)
(6,515,811)	-	(6,515,811)
-	(13,030)	(13,030)
(6,515,811)	(13,030)	(6,528,841)
7,420,989	-	7,420,989
220,870	-	220,870
65,097	-	65,097
418,063	-	418,063
513,285	-	513,285
42,915	-	42,915
233,091	-	233,091
86,573	-	86,573
9,000,883	-	9,000,883
2,485,072	(13,030)	2,472,042
43,808,325	1,543,359	45,351,684
\$ 46,293,397	1,530,329	47,823,726

Harrison County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 4,138,654	1,289,048	1,449,019
Receivables:			
Property tax:			
Delinquent	16,247	2,095	2,603
Succeeding year	5,028,000	649,000	2,073,000
Interest and penalty on property tax	27,102	-	-
Accounts	16,986	-	2,375
Accrued interest	8,536	-	-
Drainage assessments	-	-	-
Due from other funds	1,435	-	-
Due from other governments	170,856	-	20,407
Inventories	-	-	-
Total assets	\$ 9,407,816	1,940,143	3,547,404
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 83,748	17,624	196
Salaries and benefits payable	8,669	-	206
Due to other funds	-	1,435	-
Due to other governments	28,694	-	380
Total Liabilities	<u>121,111</u>	<u>19,059</u>	<u>782</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	5,028,000	649,000	2,073,000
Other	40,518	1,917	1,866
Total deferred inflows of resources	<u>5,068,518</u>	<u>650,917</u>	<u>2,074,866</u>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	1,366,568	-	-
Mental health purposes	-	1,270,167	-
Rural services purposes	-	-	1,471,756
Secondary roads purposes	-	-	-
Conservation land acquisition	233,220	-	-
Other purposes	67,855	-	-
Assigned for conservation	88,427	-	-
Unassigned	2,462,117	-	-
Total fund balances	<u>4,218,187</u>	<u>1,270,167</u>	<u>1,471,756</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 9,407,816	1,940,143	3,547,404

See notes to financial statements.

Secondary Roads	Nonmajor	Total
3,950,689	404,822	11,232,232
-	-	20,945
-	-	7,750,000
-	-	27,102
42,974	4,230	66,565
-	-	8,536
-	368,976	368,976
-	-	1,435
299,308	-	490,571
2,752,586	-	2,752,586
7,045,557	778,028	22,718,948

135,225	56,998	293,791
41,170	-	50,045
-	-	1,435
151	-	29,225
176,546	56,998	374,496

-	-	7,750,000
-	368,976	413,277
-	368,976	8,163,277

2,752,586	-	2,752,586
-	-	1,366,568
-	-	1,270,167
-	-	1,471,756
4,116,425	-	4,116,425
-	-	233,220
-	352,054	419,909
-	-	88,427
-	-	2,462,117
6,869,011	352,054	14,181,175
7,045,557	778,028	22,718,948

Harrison County

Harrison County

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

June 30, 2014

Total governmental fund balances (page 21) \$ 14,181,175

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$58,119,747 and the accumulated depreciation/amortization is \$24,811,801. 33,307,946

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 413,227

Long-term liabilities, including drainage warrants 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. (1,609,001)

Net position of governmental activities (page 17) \$ 46,293,347

See notes to financial statements.

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

Year ended June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,839,694	664,467	1,904,704
Local option sales tax	-	-	128,322
Interest and penalty on property tax	51,754	-	-
Intergovernmental	1,180,270	92,920	103,778
Licenses and permits	-	-	20,249
Charges for service	594,821	-	11,450
Use of money and property	85,362	-	-
Fines, forfeitures and defaults	45,733	-	-
Miscellaneous	354,617	16,077	-
Total revenues	7,152,251	773,464	2,168,503
Expenditures:			
Operating:			
Public safety and legal services	2,236,156	-	120,301
Physical health and social services	1,352,134	-	79,003
Mental health	-	422,482	-
County environment and education	735,900	-	221,170
Roads and transportation	-	-	-
Governmental services to residents	622,176	-	-
Administration	1,263,263	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	312,471	-	-
Total expenditures	6,522,100	422,482	420,474
Excess (deficiency) of revenues over (under) expenditures	630,151	350,982	1,748,029
Other financing sources (uses):			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(130,000)	-	(1,730,000)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(130,000)	-	(1,730,000)
Change in fund balances	500,151	350,982	18,029
Fund balances beginning of year	3,718,036	919,185	1,453,727
Fund balances end of year	\$ 4,218,187	1,270,167	1,471,756

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	220,870	7,629,735
384,963	-	513,285
-	-	51,754
3,286,129	315,652	4,978,749
5,210	-	25,459
80	3,114	609,465
-	205	85,567
-	-	45,733
136,607	197,005	704,306
3,812,989	736,846	14,644,053
-	-	2,356,457
-	-	1,431,137
-	-	422,482
-	1,840	958,910
5,436,955	-	5,436,955
-	1,214	623,390
-	-	1,263,263
-	289,000	289,000
-	544,716	544,716
175	17,081	329,727
5,437,130	853,851	13,656,037
(1,624,141)	(117,005)	988,016
27,600	-	27,600
1,840,000	20,000	1,860,000
-	-	(1,860,000)
-	323,288	323,288
1,867,600	343,288	350,888
243,459	226,283	1,338,904
6,625,552	125,771	12,842,271
6,869,011	352,054	14,181,175

Harrison County

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

Year ended June 30, 2014

Change in fund balances - Total governmental funds (page 25) \$ 1,338,904

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 1,115,929	
Capital assets contributed by the Iowa Department of Transportation	1,355,831	
Depreciation/amortization expense	(1,439,567)	1,032,193

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. 205,491

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

Property tax	12,124	
Other	(248,665)	(236,541)

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

Issued	(323,288)	
Repaid	512,926	189,638

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	(8,860)	
Other postemployment benefits	(14,500)	
Amortization of bond issuance costs	(7,376)	
Interest on long-term debt	(13,877)	(44,613)

Change in net position of governmental activities (page 19) \$ 2,485,072

See notes to financial statements.

Harrison County
Statement of Net Position
Proprietary Fund

June 30, 2014

	Enterprise Water and Wastewater Disposal System
Assets	
Current assets:	
Cash and cash equivalents	\$ 91,461
Accounts receivable	4,032
Total current assets	95,493
Capital assets, net of accumulated depreciation	2,146,355
Total assets	2,241,848
Liabilities	
Current liabilities:	
USDA sewer revenue notes	10,391
Long-term liabilities:	
USDA sewer revenue notes	701,128
Total liabilities	711,519
Net Position	
Net investment in capital assets	1,434,836
Restricted for:	
Debt service	31,731
Capital projects	19,274
Unrestricted	44,488
Total net position	\$ 1,530,329

See notes to financial statements.

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

Year ended June 30, 2014

	<u>Enterprise</u> <u>Water and</u> <u>Wastewater</u> <u>Disposal</u> <u>System</u>
Operating revenues:	
Charges for service	\$ 48,384
Operating expenses:	
Depreciation	<u>31,107</u>
Operating income	17,277
Non-operating expense:	
Interest expense	<u>(30,307)</u>
Change in net position	(13,030)
Net position beginning of year	<u>1,543,359</u>
Net position end of year	<u>\$ 1,530,329</u>
See notes to financial statements.	

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

	Enterprise Water and Wastewater Disposal System
Cash flows from operating activities:	
Cash received from sewer fees	\$ 56,448
Cash flows from capital and related financing activities:	
Principal paid on USDA sewer revenue notes	(9,972)
Interest paid on USDA sewer revenue notes	(30,307)
Net cash used by capital and related financing activities	(40,279)
Net increase in cash and cash equivalents	16,169
Cash and cash equivalents beginning of year	75,292
Cash and cash equivalents end of year	\$ 91,461
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 17,277
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	31,107
Decrease in accounts receivable	8,064
Net cash provided by operating activities	\$ 56,448

See notes to financial statements.

Harrison County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,417,697
Other County officials	49,381

Receivables:

Property tax receivable:

Delinquent	86,419
Succeeding year	16,171,000
Accounts	326
Accrued interest	88
Drainage assessments	109,725
Special assessments	60,018

Due from other governments

32,526**Total assets**17,927,180**Liabilities**

Accounts payable	93,386
Stamped warrants payable	76,278
Salaries and benefits payable	9,657
Due to other governments	17,673,263
Trusts payable	9,494
Compensated absences	65,102

Total liabilities17,927,180**Net position**\$ -

See notes to financial statements.

Harrison County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Harrison 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, Harrison 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 Harrison 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.

Sixty-five 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 Harrison 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 Harrison 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: County Assessor’s Conference Board, County Emergency Management Commission and 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.

In addition, the County is involved in the following jointly governed organizations: Southwest Iowa Planning Council, Southwest Iowa Juvenile Emergency Services Board, Harrison County Landfill Commission and WESCO Industries. Financial transactions of these organizations are not included in the County’s financial statements.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component 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, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization 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. Enabling legislation did not result in any restricted net position.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund – The Enterprise, Water and Wastewater Disposal System fund is utilized to account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the 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 Fund are charged to customers for sales and services. Operating expenses for the Enterprise Fund include depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	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.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements in two departments exceeded the amounts appropriated and five departments exceeded the amounts appropriated prior to appropriation amendments.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

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

(3) Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	<u>\$ 1,435</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 130,000
	Special Revenue:	
	Rural Services	1,710,000
		<u>1,840,000</u>
Special Revenue:	Special Revenue:	
Flood and Erosion	Rural Services	20,000
Total		<u>\$ 1,860,000</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,086,264	40,819	-	2,127,083
Intangibles, road network	928,528	50,200	-	978,728
Construction in progress	594,540	1,305,631	(1,559,378)	340,793
Total capital assets not being depreciated	<u>3,609,332</u>	<u>1,396,650</u>	<u>(1,559,378)</u>	<u>3,446,604</u>
Capital assets being depreciated/amortized:				
Buildings	6,010,918	108,222	-	6,119,140
Improvements other than buildings	132,994	-	-	132,994
Equipment and vehicles	9,426,995	1,264,774	(772,606)	9,919,163
Intangibles	63,559	-	-	63,559
Infrastructure, road network and other	36,878,909	1,559,378	-	38,438,287
Total capital assets being depreciated/amortized	<u>52,513,375</u>	<u>2,932,374</u>	<u>(772,606)</u>	<u>54,673,143</u>
Less accumulated depreciation/amortization for:				
Buildings	2,196,485	144,710	-	2,341,195
Improvements other than buildings	6,938	6,939	-	13,877
Equipment and vehicles	5,180,125	590,016	(680,211)	5,089,930
Intangibles	12,712	12,712	-	25,424
Infrastructure, road network and other	16,656,185	685,190	-	17,341,375
Total accumulated depreciation/amortization	<u>24,052,445</u>	<u>1,439,567</u>	<u>(680,211)</u>	<u>24,811,801</u>
Total capital assets being depreciated/amortized, net	<u>28,460,930</u>	<u>1,492,807</u>	<u>(92,395)</u>	<u>29,861,342</u>
Governmental activities capital assets, net	<u>\$32,070,262</u>	<u>2,889,457</u>	<u>(1,651,773)</u>	<u>33,307,946</u>
Business type activities:				
Capital assets being depreciated:				
Infrastructure	\$ 2,332,995	-	-	2,332,995
Less accumulated depreciation for:				
Infrastructure	155,533	31,107	-	186,640
Total capital assets being depreciated, net	<u>\$ 2,177,462</u>	<u>(31,107)</u>	<u>-</u>	<u>2,146,355</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 129,382
Physical health and social services	18,456
County environment and education	88,345
Roads and transportation	1,146,097
Governmental services to residents	10,640
Administration	46,647
Total depreciation/amortization expense - governmental activities	<u>\$ 1,439,567</u>
Business type activities:	
Water and wastewater disposal system	<u>\$ 31,107</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 28,694</u>
Special Revenue:		
Rural Services	Services	380
Secondary Roads	Services	151
		<u>531</u>
Total for governmental funds		<u>\$ 29,225</u>
Agency:		
County Offices	Collections	\$ 43,620
Agricultural Extension Education		208,070
County Assessor		348,992
Schools		11,388,948
Community Colleges		928,237
Corporations		3,373,499
Townships		367,252
Auto License and Use Tax		384,939
Drainage Districts		83,395
E911 Service Commission		306,041
All other		240,270
Total for agency funds		<u>\$ 17,673,263</u>

(7) Long-Term Liabilities

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

	General Obligation Notes	Drainage Warrants	Compen- sated Absences	Net OPEB Liability	Total
Governmental activities:					
Balance beginning of year	\$ 225,000	321,051	1,050,859	152,100	1,749,010
Increases	-	323,288	393,126	20,000	736,414
Decreases	225,000	287,926	384,266	5,500	902,692
Balance end of year	\$ -	356,413	1,059,719	166,600	1,582,732
Due within one year	\$ -	-	172,507	-	172,507

	USDA Sewer Revenue Notes
Business type activities:	
Balance beginning of year	\$ 721,491
Increases	-
Decreases	9,972
Balance end of year	\$ 711,519
Due within one year	\$ 10,391

USDA Sewer Revenue Notes

Annual debt service requirements to maturity for the USDA sewer revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.125-4.250%	\$ 10,391	29,888	40,279
2016	4.125-4.250	10,827	29,452	40,279
2017	4.125-4.250	11,282	28,997	40,279
2018	4.125-4.250	11,755	28,524	40,279
2019	4.125-4.250	12,250	28,029	40,279
2020-2024	4.125-4.250	69,410	131,985	201,395
2025-2029	4.125-4.250	85,263	116,132	201,395
2030-2034	4.125-4.250	104,739	96,656	201,395
2035-2039	4.125-4.250	128,663	72,732	201,395
2040-2044	4.125-4.250	158,054	43,341	201,395
2044-2047	4.125-4.250	108,885	9,162	118,047
Total		\$ 711,519	614,898	1,326,417

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$758,000 of sewer revenue notes issued in June 2008. The notes mature annually on July 1 and bear interest at 4.125% to 4.250% per annum, which is also due and payable on July 1. Proceeds from the notes provided financing for the construction of new water and wastewater disposal systems in the Little Sioux and River Sioux communities. The notes are payable solely from sewer customer net revenues and are payable through 2047. The total principal and interest remaining to be paid on the notes is \$1,326,417. For the current year, principal and interest paid and total customer net revenues were \$40,279 and \$17,277, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) Sufficient monthly transfers shall be made to a debt service account for the purpose of making the principal and interest payments when due.
- (b) Additional monthly transfers of \$337 shall be made to a sewer revenue reserve account until \$40,279 has been accumulated. This account is restricted for the purpose of paying principal and interest payments on the notes.
- (c) Monthly transfers of \$265 shall be made to a short-lived asset depreciation account for future capital improvements.
- (d) The County is required to submit a budget projection for the next fiscal year to the USDA Rural Development Office for approval by February 15 each year.
- (e) The County is required to submit a year-end report to the USDA Rural Development Office by August 30 each year.

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$444,166, \$426,784 and \$433,575, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 115 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 22,500
Interest on net OPEB obligation	6,800
Adjustment to annual required contribution	<u>(9,300)</u>
Annual OPEB cost	20,000
Contributions made	<u>(5,500)</u>
Increase in net OPEB obligation	14,500
Net OPEB obligation beginning of year	<u>152,100</u>
Net OPEB obligation end of year	<u>\$166,600</u>

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

For the year ended June 30, 2014, the County contributed \$5,500 to the medical plan. Plan members eligible for benefits contributed \$9,842, or 64% 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:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 20,500	29.8%	\$ 138,400
2013	20,000	31.5	152,100
2014	20,000	27.5	166,600

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability (AAL) was \$181,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,111,000 and the ratio of the UAAL to covered payroll was 4.4%. As of June 30, 2014, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension handbook and applying the termination factors using the Scale T-2 table.

Projected claim costs of the medical plan range from \$635 to \$1,944 per month for retirees less than age 65. The salary increase rate was assumed to be 2.75% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$248,673.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Secondary Roads Department Insurance Benefit

Voluntary termination benefit programs have been established for Secondary Roads Department employees. The programs allow employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to purchase group health insurance after separation.

Upon retirement, the value of the balance of the accrued sick leave is converted based upon the balance of sick leave hours, as follows:

<u>Sick Leave Balance (hours)</u>	<u>Conversion Rate</u>
0 - 559	0%
560 - 879	50%
880 - 1,119	75%
1,120 - 1,488	100%

The final calculated dollar value is credited to the employee's Sick Leave Upon Retirement account. The employer will continue to pay the costs of the health insurance premium each month until the converted value of the employee's Sick Leave Upon Retirement account balance is exhausted. The converted value of the sick leave can only be applied to the payment of health, dependent health and/or Medicare supplement insurance premium payments.

For the year ended June 30, 2014, five employees have retired and received benefits totaling \$21,802 under the program.

(12) Financial Assurance

The County participates in an agreement with the Harrison County Landfill Commission, which was created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2014 are \$2,415,571 and the County's financial assurance obligation amount is \$1,445,532. At June 30, 2014, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

In the event the Commission fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain an alternate financial assurance within 90 days of intent to cancel, the County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

(13) Prospective Accounting Change

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

Harrison County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,145,819	-	8,145,819
Interest and penalty on property tax	50,302	-	50,302
Intergovernmental	5,054,815	274,547	4,780,268
Licenses and permits	23,984	-	23,984
Charges for service	606,223	-	606,223
Use of money and property	83,567	-	83,567
Miscellaneous	733,056	201,035	532,021
Total receipts	<u>14,697,766</u>	<u>475,582</u>	<u>14,222,184</u>
Disbursements:			
Public safety and legal services	2,362,176	-	2,362,176
Physical health and social services	1,433,871	-	1,433,871
Mental health	467,032	-	467,032
County environment and education	962,763	-	962,763
Roads and transportation	5,630,954	-	5,630,954
Governmental services to residents	623,120	-	623,120
Administration	1,266,860	-	1,266,860
Non-program	479,682	479,682	-
Debt service	544,716	314,195	230,521
Capital projects	331,436	-	331,436
Total disbursements	<u>14,102,610</u>	<u>793,877</u>	<u>13,308,733</u>
Excess (deficiency) of receipts over (under) disbursements	595,156	(318,295)	913,451
Other financing sources, net	<u>323,288</u>	<u>323,288</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	918,444	4,993	913,451
Balance beginning of year	<u>10,313,788</u>	<u>73,700</u>	<u>10,240,088</u>
Balance end of year	<u>\$ 11,232,232</u>	<u>78,693</u>	<u>11,153,539</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
8,246,475	8,246,475	(100,656)
55,500	55,500	(5,198)
4,547,665	4,602,665	177,603
32,575	32,575	(8,591)
608,430	608,430	(2,207)
122,260	122,260	(38,693)
199,565	394,565	137,456
13,812,470	14,062,470	159,714
2,548,462	2,591,462	229,286
1,661,408	1,663,108	229,237
1,009,100	1,009,100	542,068
1,013,166	1,021,366	58,603
6,043,000	6,043,000	412,046
658,650	665,650	42,530
1,285,872	1,327,372	60,512
-	-	-
231,271	231,271	750
1,113,000	1,196,000	864,564
15,563,929	15,748,329	2,439,596
(1,751,459)	(1,685,859)	2,599,310
-	-	-
(1,751,459)	(1,685,859)	2,599,310
8,756,909	10,216,598	23,490
7,005,450	8,530,739	2,622,800

Harrison County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,697,766	(53,713)	14,644,053
Expenditures	14,102,610	(446,573)	13,656,037
Net	595,156	392,860	988,016
Other financing sources, net	323,288	27,600	350,888
Beginning fund balances	10,313,788	2,528,483	12,842,271
Ending fund balances	\$ 11,232,232	2,948,943	14,181,175

See accompanying independent auditor's report.

Harrison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$184,400. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements in two departments exceeded the amount appropriated. In addition, disbursements in five departments exceeded the amounts appropriated prior to appropriation amendments.

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 631	631	0.0%	\$ 4,600	13.7%
2011	Jul 1, 2008	-	631	631	0.0	4,208	15.0
2012	Jul 1, 2011	-	181	181	0.0	4,424	4.1
2013	Jul 1, 2011	-	181	181	0.0	4,246	4.3
2014	Jul 1, 2011	-	181	181	0.0	4,111	4.4

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

See accompanying independent auditor's report.

Supplementary Information

Harrison County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2014

		County Recorder's Records Management	Urban Renewal Revenue	Resource Enhance- ment and Protection
Assets				
Cash, cash equivalents and pooled investments	\$	6,127	122,448	51,998
Receivables:				
Accounts		-	-	-
Succeeding year drainage assessments		-	-	-
Total assets	\$	6,127	122,448	51,998
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Other		-	-	-
Fund balances:				
Restricted for other purposes		6,127	122,448	51,998
Total liabilities, deferred inflows of resources and fund balances	\$	6,127	122,448	51,998

See accompanying independent auditor's report.

Special Revenue					
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total
127,762	1,600	14,731	78,693	1,463	404,822
-	-	-	4,230	-	4,230
-	-	-	368,976	-	368,976
127,762	1,600	14,731	451,899	1,463	778,028
129	-	-	56,869	-	56,998
-	-	-	368,976	-	368,976
127,633	1,600	14,731	26,054	1,463	352,054
127,762	1,600	14,731	451,899	1,463	778,028

Harrison County

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

Year ended June 30, 2014

	County Recorder's Records Management	Urban Renewal Revenue	Resource Enhance- ment and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	28,882
Charges for service	3,089	-	-
Use of money and property	21	-	184
Miscellaneous	-	-	-
Total revenues	3,110	-	29,066
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	1,214	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	17,081
Total expenditures	1,214	-	17,081
Excess (deficiency) of revenues over (under) expenditures	1,896	-	11,985
Other financing sources:			
Transfers in	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources	-	-	-
Change in fund balances	1,896	-	11,985
Fund balances beginning of year	4,231	122,448	40,013
Fund balances end of year	\$ 6,127	122,448	51,998

See accompanying independent auditor's report.

Special Revenue					
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total
-	-	-	-	220,870	220,870
-	-	-	274,547	12,223	315,652
-	-	25	-	-	3,114
-	-	-	-	-	205
-	-	-	197,005	-	197,005
-	-	25	471,552	233,093	736,846
1,840	-	-	-	-	1,840
-	-	-	-	-	1,214
-	-	-	289,000	-	289,000
-	-	-	314,195	230,521	544,716
-	-	-	-	-	17,081
1,840	-	-	603,195	230,521	853,851
(1,840)	-	25	(131,643)	2,572	(117,005)
20,000	-	-	-	-	20,000
-	-	-	323,288	-	323,288
20,000	-	-	323,288	-	343,288
18,160	-	25	191,645	2,572	226,283
109,473	1,600	14,706	(165,591)	(1,109)	125,771
127,633	1,600	14,731	26,054	1,463	352,054

Harrison County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	6,421	107,610	136,296
Other County officials	49,381	-	-	-
Receivables:				
Property tax:				
Delinquent	-	649	826	38,652
Succeeding year	-	201,000	256,000	11,214,000
Accounts	326	-	-	-
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 49,707	208,070	364,436	11,388,948
Liabilities				
Accounts payable	\$ -	-	32	-
Stamped warrants payable	-	-	-	-
Salaries and benefits payable	-	-	2,281	-
Due to other governments	43,620	208,070	348,992	11,388,948
Trusts payable	6,087	-	-	-
Compensated absences	-	-	13,131	-
Total liabilities	\$ 49,707	208,070	364,436	11,388,948

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
9,151	52,874	3,661	384,939	129,117	310,311	277,317	1,417,697
-	-	-	-	-	-	-	49,381
3,086	42,607	591	-	-	-	8	86,419
916,000	3,218,000	363,000	-	-	-	3,000	16,171,000
-	-	-	-	-	-	-	326
-	-	-	-	88	-	-	88
-	-	-	-	109,725	-	-	109,725
-	60,018	-	-	-	-	-	60,018
-	-	-	-	-	-	32,526	32,526
928,237	3,373,499	367,252	384,939	238,930	310,311	312,851	17,927,180
-	-	-	-	79,257	4,270	9,827	93,386
-	-	-	-	76,278	-	-	76,278
-	-	-	-	-	-	7,376	9,657
928,237	3,373,499	367,252	384,939	83,395	306,041	240,270	17,673,263
-	-	-	-	-	-	3,407	9,494
-	-	-	-	-	-	51,971	65,102
928,237	3,373,499	367,252	384,939	238,930	310,311	312,851	17,927,180

Harrison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 52,405	208,506	334,330	11,208,284
Additions:				
Property and other county tax	-	201,314	256,008	11,229,727
E911 surcharge	-	-	-	-
State tax credits	-	11,151	12,565	608,983
Drivers license fees	-	-	-	-
Office fees and collections	470,148	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	237,507	-	-	-
Miscellaneous	-	139	157	8,675
Total additions	707,655	212,604	268,730	11,847,385
Deductions:				
Agency remittances:				
To other funds	273,219	-	-	-
To other governments	194,872	213,040	238,624	11,666,721
Trusts paid out	242,262	-	-	-
Total deductions	710,353	213,040	238,624	11,666,721
Balances end of year	\$ 49,707	208,070	364,436	11,388,948

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
753,679	3,568,673	344,803	310,462	401,275	242,902	293,672	17,718,991
918,489	3,225,935	364,535	-	-	-	3,482	16,199,490
-	-	-	-	-	161,153	-	161,153
40,906	183,522	17,983	-	-	-	137	875,247
-	-	-	99,510	-	-	-	99,510
-	-	-	-	-	-	-	470,148
-	-	-	4,857,318	-	-	-	4,857,318
-	25,926	-	-	102,973	-	-	128,899
-	-	-	-	-	-	212,118	449,625
512	-	284	-	47,025	1,089	564,320	622,201
959,907	3,435,383	382,802	4,956,828	149,998	162,242	780,057	23,863,591
-	-	-	189,306	-	-	-	462,525
785,349	3,630,557	360,353	4,693,045	388,621	94,833	548,760	22,814,775
-	-	-	-	-	-	212,118	454,380
785,349	3,630,557	360,353	4,882,351	388,621	94,833	760,878	23,731,680
928,237	3,373,499	367,252	384,939	162,652	310,311	312,851	17,850,902

Harrison County

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

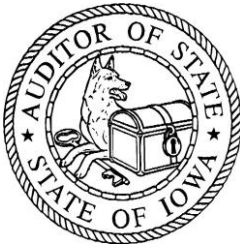
For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 7,629,735	7,429,208	7,098,326	6,714,586
Local option sales tax	513,285	522,321	546,939	475,243
Interest and penalty on property tax	51,754	60,439	65,004	74,186
Intergovernmental	4,978,749	4,756,592	5,960,567	6,324,666
Licenses and permits	25,459	25,560	25,720	24,442
Charges for service	609,465	579,504	582,727	639,350
Use of money and property	85,567	90,198	133,550	147,662
Fines, forfeitures and defaults	45,733	49,061	39,033	21,498
Miscellaneous	704,306	451,410	668,214	713,221
Total	\$ 14,644,053	13,964,293	15,120,080	15,134,854
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,356,457	2,106,847	2,035,838	1,955,517
Physical health and social services	1,431,137	1,355,308	1,358,033	1,357,012
Mental health	422,482	626,524	2,197,433	1,856,540
County environment and education	958,910	835,306	877,584	879,407
Roads and transportation	5,436,955	4,867,329	5,363,814	4,687,625
Governmental services to residents	623,390	480,604	488,248	456,336
Administration	1,263,263	1,961,223	1,925,661	1,915,157
Non-program	289,000	465,692	312,935	276,279
Debt service	544,716	264,555	615,016	465,855
Capital projects	329,727	255,259	619,964	579,323
Total	\$ 13,656,037	13,218,647	15,794,526	14,429,051

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
6,324,557	6,188,195	5,875,034	5,729,568	5,336,897	5,491,423
447,734	477,574	465,664	425,289	462,321	431,509
60,545	53,180	50,829	57,510	59,258	68,493
6,481,561	5,789,828	5,194,003	4,776,739	4,677,346	4,029,136
36,719	33,362	23,574	23,574	22,645	25,131
1,345,004	1,370,879	1,345,927	1,422,647	1,349,341	1,174,042
77,311	163,130	329,746	387,284	317,305	193,104
-	-	-	-	-	-
665,874	760,792	814,032	798,075	867,002	550,539
15,439,305	14,836,940	14,098,809	13,620,686	13,092,115	11,963,377
1,719,725	1,907,119	1,865,471	1,782,628	1,749,112	1,693,019
1,336,131	1,594,390	1,711,280	1,448,676	1,382,657	1,260,780
1,629,060	1,786,275	2,022,201	1,801,955	1,518,473	1,553,127
1,526,616	2,309,032	1,196,058	1,294,395	1,002,246	1,014,956
4,479,948	4,523,788	5,065,406	5,246,078	5,244,431	4,594,896
441,937	507,148	484,491	431,554	559,230	381,416
1,735,155	1,679,182	1,292,617	1,288,661	1,086,407	1,029,062
-	-	-	-	-	-
493,923	515,633	480,546	567,026	564,952	566,562
1,541,345	-	-	185,004	59,645	203,801
14,903,840	14,822,567	14,118,070	14,045,977	13,167,153	12,297,619

Harrison County



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

To the Officials of Harrison 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 Harrison County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harrison 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 Harrison County's internal control. Accordingly, we do not express an opinion on the effectiveness of Harrison 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 described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Harrison County's Responses to the Findings


Harrison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Harrison 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 Harrison 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

May 15, 2015

Harrison County
Schedule of Findings
Year ended June 30, 2014

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.

One individual in the County Treasurer's office has custody of receipts and performs all record-keeping and reconciling functions for the office, including those related to all federal programs.

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Extension Office, Sheriff's Civil Division and Jail and Conservation/ Welcome Center
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. An independent person does not periodically review the bank reconciliation for propriety.	Treasurer, Recorder and Sheriff's Civil Division and Jail
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder and Sheriff's Civil Division and Jail
(4) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. The initial listing is not compared to receipt records by an independent person and is not signed or initialed to document review.	Treasurer, Extension Office, Sheriff's Civil Division and Jail and Conservation/ Welcome Center
(5) The person who prepares a summary of tax collections also reconciles delinquencies at year end. There is no evidence an independent person reviews reconciliations for propriety.	Treasurer

Harrison County

Schedule of Findings

Year ended June 30, 2014

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of the review of reconciliations and receipts should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses –

Extension Office – We will try to implement more segregation of duties with our limited staff. We plan to have council members review and sign off on reconciliations.

Recorder – We are aware of the segregation of duties issues in a small office and do the best we can to address it. The County Recorder reviews the office policy to address the issues as best as we can.

Sheriff – The Sheriff will monitor each month's bank reconciliation and sign. The Sheriff reviews bank deposits each week and will refer to the hand written receipts. Each bank deposit is signed off by the Sheriff. All checks and/or cash is written in a receipt book and posted to a current case number. All trust money can be linked to each case and to the hand written receipt.

Conservation/Welcome Center – We will strive for better segregation of duties and follow-up on signatures or initials upon review.

Treasurer – As of January 2015, Mel, Nancy and Shelia will be reconciling the bank accounts. Mail is checked in by any staff member who is available. All checks are stamped for deposit only and recorded on a log. As the new Treasurer, Shelia is reorganizing duties within the Office to have more evidence of segregation.

Conclusion – Responses accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables, inventories and capital asset additions and deletions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements. In addition, the cash and GAAP annual financial reports were not approved by the Board of Supervisors.

Recommendation – The County should implement procedures to ensure all receivables, payables, inventories and capital asset additions and deletions are identified and included in the County's financial statements. Additionally, the Board of Supervisors should review and approve the Annual Financial Reports.

Response – We will monitor this area more closely to ensure accurate reporting. The Auditor will review the annual financial reports with the Board of Supervisors and will obtain the Board's approval.

Conclusion – Response accepted.

Harrison County
Schedule of Findings
Year ended June 30, 2014

(C) Payroll – Certain salaried employees are paid in advance of the wages being earned.

Recommendation – The Board of Supervisors should not allow salary payments in advance of wages earned.

Response – The Board of Supervisors will take this recommendation under further review.

Conclusion – Response acknowledged. The Board of Supervisors should not allow salary payments in advance of wages earned.

(D) Prisoner Room and Board – The following internal control deficiencies related to prisoner room and board were identified:

- A reconciliation of billings, collections and accounts receivable balances is not performed.
- The County does not consistently send delinquent accounts to the magistrate in a timely manner and the delinquent accounts are not reviewed by an independent person.

Recommendation – The County should implement policies and procedures to ensure prisoner room and board billings, collections and accounts receivable balances are reconciled on a monthly basis. An independent person should periodically review the reconciliations for propriety and the reviews performed should be documented by the signature or initials of the reviewer and the date of the review. Delinquent accounts should be submitted to the magistrate timely and reviewed by an independent person.

Response – Room and board delinquent accounts will now be filed with the County Clerk in a timely manner. A new procedure has been implemented to file room and board at the time of prisoner release, if not paid in full. All accounts will be reviewed by a designated person.

Conclusion – Response accepted.

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

The County does not have written policies for:

- Information system security, including password privacy and confidentiality.
- Requiring password changes because the software does not require users to change log-ins/passwords periodically.
- Usage of the internet.

Harrison County

Schedule of Findings

Year ended June 30, 2014

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should be developed.

Response – The Board will direct the computer committee to work on these policies.

Conclusion – Response accepted.

- (F) Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a policy to regulate the use of the credit cards.

Recommendation – The County should adopt a written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The Board is currently working on writing this policy.

Conclusion – Response accepted.

- (G) Accounting Policies and Procedures Manual – The County Sheriff’s Office does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – An accounting procedures manual will be developed to aid in training and or replacing current staff.

Conclusion – Response accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2014

- (H) Welcome Center Inventory – The Welcome Center operates the Iowa Products Store which sells merchandise, including food, beverages, clothing, crafts and a wide variety of souvenirs. Inventory records are not maintained.

Recommendation – To facilitate proper control over the merchandise, the County should implement procedures to ensure complete inventory records are maintained and kept current. A physical count of the inventory should be performed periodically by an employee having no responsibility for the inventory.

Response – The Welcome Center is in the process of completing its inventory process.

Conclusion – Response accepted.

- (I) Conservation Welcome Center – Monthly reconciliations of book and bank balances are not reviewed by an independent person.

The Conservation Welcome Center did not prepare a year-to-date summary of receipts and disbursements for financial reporting.

The daily credit card and cash sales records are not reconciled to deposits by an independent person. Voided receipts are not reviewed. Additionally, fees for credit card processing are automatically deducted from the Welcome Center checking account. These amounts were not included in the County's budget or financial reports.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be reviewed by an independent person and documented by the signature or initials of the reviewer and the date of the review.

A year-to-date summary of Welcome Center receipts and disbursements should be prepared.

An independent review of the reconciliation of daily collections to deposit and voided receipts should be performed periodically. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review. The credit card processing fees should be paid by claim approved by the Conservation Board and included in the County's accounting system.

Response – We will work on reconciliation – both monthly and year end.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Harrison County

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted by function. However, disbursements in two departments exceeded the amount appropriated at June 30, 2014. In addition, disbursements in five departments exceeded the amounts appropriated prior to appropriation amendments.

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

Response – The Board will watch the appropriations by departments more closely.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Susan Bonham, County Auditor, Mother of Sara Bonham	Assist with general election	\$ 590
Kris Pauley, Deputy Auditor, Mother of Megan Pauley	Assist with general election	166
Larry Oliver, Emergency Management Director, father of Carter Oliver	Gutter cleaning at County Sheriff’s Office	60
Robert Smith, Supervisor, wife owns Cheryl Smith Cleaning Services	Cleaning services at County Sheriff’s and County Engineer’s Offices	9,330
Dennis Hall, Secondary Roads employee, Wife is Lois Hall	Cleaning services at Annex building	6,360

The transactions with Cheryl Smith Cleaning Services and Lois Hall do not represent conflicts of interest in the opinion of the County Attorney.

Harrison County

Schedule of Findings

Year ended June 30, 2014

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each individual 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 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, they were not provided to the newspaper within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure the minutes are provided for publication timely, as required.

Response – The Board will work on this publication requirement.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- (11) Voting Equipment Loan – The County did not hold a public hearing prior to entering into a \$112,689 installment purchase agreement for voting equipment as required by Chapter 331.479 of the Code of Iowa.

Recommendation – The County should follow the statutory authorization requirements before entering into non-current debt.

Response – We will follow this Code section when entering into installment purchase agreements.

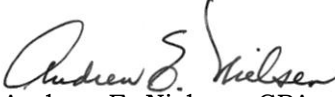
Conclusion – Response accepted.

Harrison County

Staff

This audit was performed by:

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Keith C. Kistenmacher, Senior Auditor II
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