



Financial Statements  
June 30, 2012  
**Benton County**

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## Benton County

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Vermedahl	Board of Supervisors	December 2012
Ron Buch	Board of Supervisors	December 2012
Jason Sanders	Board of Supervisors	December 2014
Jill Marlow	County Auditor	December 2012
Kelly Rae Geater	County Treasurer	December 2014
Lexa Speidel	County Recorder	December 2014
Randall L. Forsyth	County Sheriff	December 2012
David C. Thompson	County Attorney	December 2014
Larry Andreesen	County Assessor	Appointed



## Independent Auditor's Report

To the Officials of Benton County  
Vinton, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Benton County. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan, as listed in the table of contents, 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, who 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 auditing standards generally accepted in the United States of America, 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The combining nonmajor fund financial statements and the Schedule of Revenues by Source and Expenditures by Function are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining nonmajor fund financial statements, the Schedule of Revenues by Source and Expenditures by Function, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The list of County Officials has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Eide Bailly LLP*

Dubuque, Iowa  
March 8, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **FINANCIAL HIGHLIGHTS**

Revenue for the County's governmental funds decreased 12.3% approximately \$2.746 million from 2011 to 2012.

Property taxes levied increased 3.7% from \$8.218 million in 2011 to 8.523 million in 2012. Net property taxes increased approximately 4% or \$331 thousand. Net property taxes are levied taxes less credits. The credits are generally paid by the State.

Intergovernmental revenues including, grants and contributions, decreased approximately \$3.3 million from \$11.599 million in 2011 to \$8.27 million in 2012, or a little less than 29%.

Governmental fund expenses decreased in 2012 when compared to 2011, by approximately \$4.45 million. Public Safety saw the largest increase rising from \$2.77 million in 2011 to slightly over \$3.37 million in 2012 or approximately \$600 thousand. Increases in Secondary Roads program expense followed with an increase of approximately \$548 thousand over 2011. Decreases were realized in several areas with the most prominent being in Capital Projects with a decrease of approximately \$6.8 million in 2012 compared to 2011.

Benton County finalized most of the recovery efforts in 2012 from the damage incurred during the 2008 flood. The most significant disaster recovery effort was recognized in the final completion and equipping of the law enforcement center. This is reflected in the decrease in intergovernmental revenues received in 2012, although revenues related to the event were still recognized in 2013. Benton County also suffered another natural disaster in July 2011, when a derecho went through the County causing massive wind damage. Benton County's insurance carrier paid a substantial amount of the clean-up and recovery efforts associated with that event; however the event had an impact on the County's financial condition. The County also began implementation of a new computerized financial system, which changed the two-ledger system into a single integrated ledger system.

## 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 government's financial activities.
- The *Government-wide Financial Statements* consist of a statement of net assets and a statement of activities. These provide information about the activities of Benton County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Benton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Benton County acts solely as an agent or custodian for the benefit of those outside of the government.
- The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Supplementary Information* provides detailed information about the non-major special revenue and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY AS A WHOLE

### **The Statement of Net Assets and the Statement of Activities**

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

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

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

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration or general government, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.



## **Fund Financial Statements**

The County has five 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. These governmental funds include:
  - a. The General Fund
  - b. The Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads, and other nonmajor funds
  - c. The Capital Projects Fund (Nonmajor Fund)
  - d. The Debt Service Fund (Nonmajor Fund)
  - e. Permanent Funds (Nonmajor 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 one 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's employee group health insurance, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include, but are not limited to, agency funds that account for  
E-911 services  
County Assessor

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position.

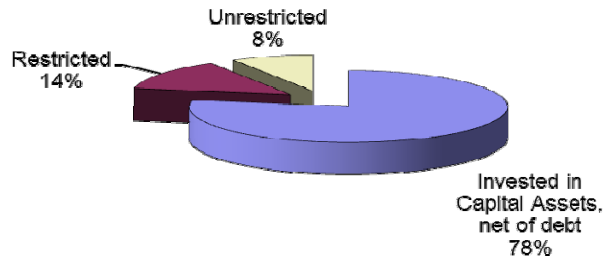
The County's combined net assets increased from \$45.9 million in 2011 to 49.0 million in 2012. Our analysis below focuses on the net assets and changes in net assets of the County's governmental activities.

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**(as shown in the Statement of Net Assets)**

	<u>2012</u>	<u>2011</u>
Current and other Assets	\$22,923,169	\$22,596,631
Capital Assets	38,273,919	37,014,045
Total Assets	<u>61,197,088</u>	<u>59,610,676</u>
Long-term debt outstanding	2,232,571	2,999,493
Other Liabilities	9,935,531	10,643,738
Total Liabilities	<u>12,168,102</u>	<u>13,643,231</u>
Net Assets		
Invested in Capital Assets, net of debt	38,123,919	35,949,045
Restricted	6,803,279	5,846,286
Unrestricted	4,101,788	4,172,114
Total Net Assets	<u>\$49,028,986</u>	<u>\$45,967,445</u>

Net assets of the County's governmental activities increased by approximately 6.7 percent (\$49,028,986 compared to \$45,967,445). The largest portion of the County's net assets is invested in capital assets. The increase is due primarily to equipment and construction in progress attributed to secondary roads. Unrestricted net assets are that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

## Net Assets of Governmental Activities

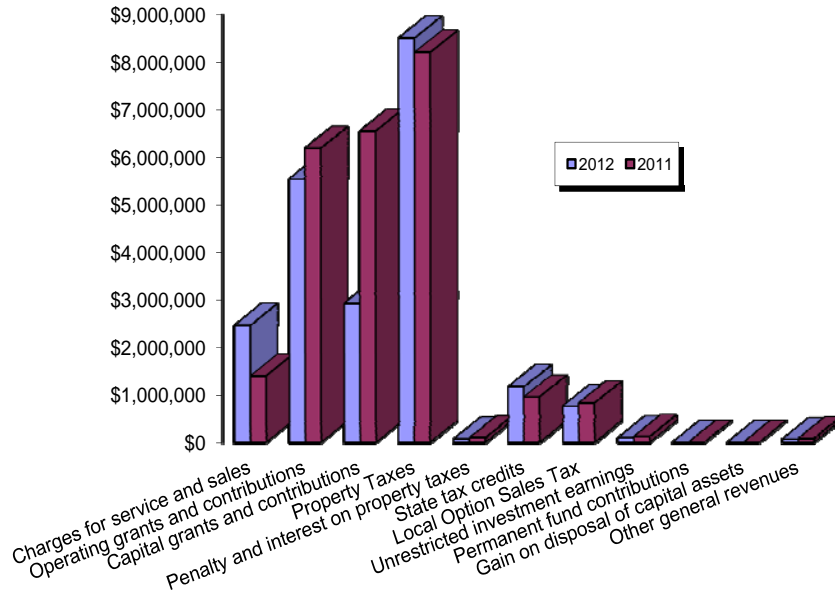


### **CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** (as shown in the Statement of Activities)

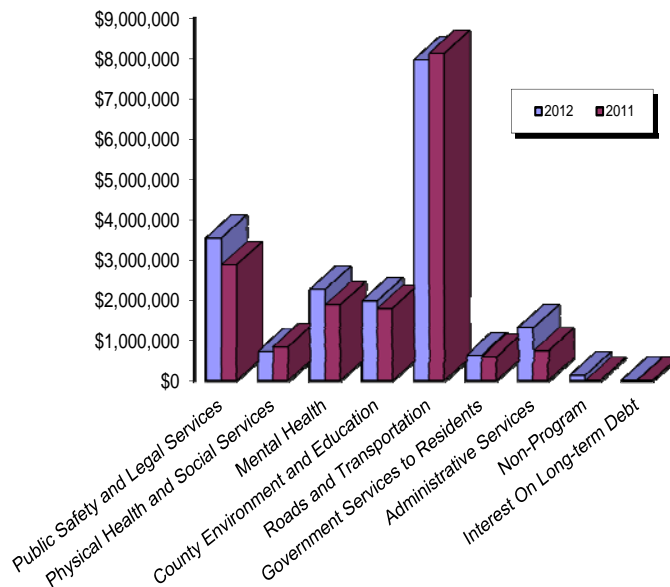
	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for service and sales	\$2,463,778	\$1,399,210
Operating grants and contributions	5,547,930	6,196,845
Capital grants and contributions	2,927,013	6,557,449
General Revenues:		
Property Taxes	8,523,663	8,218,757
Penalty and interest on property taxes	65,929	92,234
State tax credits	1,171,597	953,757
Local Option Sales Tax	763,777	827,920
Unrestricted investment earnings	91,409	122,479
Permanent fund contributions	-	306
Gain on disposal of capital assets	-	-
Other general revenues	61,834	75,727
	<u>21,616,930</u>	<u>24,444,378</u>
Program Expenses:		
Public Safety and Legal Services	3,533,793	2,882,396
Physical Health and Social Services	723,286	837,742
Mental Health	2,265,223	1,881,220
County Environment and Education	1,976,962	1,790,555
Roads and Transportation	7,957,718	8,117,100
Government Services to Residents	627,409	591,745
Administrative Services	1,312,439	736,428
Non-Program	134,980	-
Interest On Long-term Debt	23,579	11,230
Total Expenses	<u>18,555,389</u>	<u>16,848,416</u>
Increase in net assets	3,061,541	7,596,268
Net assets beginning of year	<u>45,967,445</u>	<u>38,371,177</u>
Net assets end of year	<u><u>\$49,028,986</u></u>	<u><u>\$45,967,445</u></u>

Benton County's total revenues decreased in 2012 with the largest decrease recognized in capital grants and contributions, which is primarily reflective of the disaster funding received in 2011 for the construction of the new law enforcement center. The total cost of all programs and services increased from 2011 to 2012. This increase follows two years of overall decreases in program expenses. The largest changes in program expenses from the previous year were recognized with an increase in public safety, mental health, and administrative services expense and a decrease in secondary road expense. The increases in public safety are in part reflective of the new law enforcement center becoming operational. The increases in administrative services are primarily the result of financial reporting of capital asset activity.

**Changes in Net Assets - Revenues**



**Changes in Net Assets - Expenses**



## Governmental Activities

The results of governmental activities for the year resulted in Benton County's net assets increasing by approximately \$3.06 million. Revenues for governmental activities decreased by approximately \$2.8 million over the prior year, with property taxes increasing from the prior year by approximately \$304 thousand, or about 4%. The major decrease in revenues for governmental activities was in capital grants and contributions; this is reflective that a large part of the 2008 disaster recovery projects were reimbursed in 2011.

The county-wide property tax rates in 2012 decreased from 2011. This is a result of the increased taxable valuations and a reduction in property tax needed to meet operational costs. However the overall county-wide dollars levied increased as a result of additional debt service dollars being levied. The debt service needs continue to be a result of the 2008 disaster recovery.

	<u>FY2012</u>	<u>FY2011</u>
Countywide taxable value	1,166,126,803	1,117,095,292
Countywide levy rate less debt	5.4181	5.67338
Dollars levied less debt	6,318,194	6,337,709
Countywide taxable debt service value	1,209,297,148	1,157,722,678
Countywide debt service levy rate	.28942	.12956
Dollars levied for debt service	350,000	150,000
<b>Total countywide levy rate</b>	<b>5.70752</b>	<b>5.80294</b>
Total dollars levied countywide	6,668,194	6,487,709
Rural taxable value	761,246,379	723,790,482
Rural tax levy rate	2.90374	2.90374
Dollars levied for rural area only	2,210,461	2,101,699
Total dollars levied	8,878,655	8,589,408

The cost of all governmental activities this year was \$18.555 million compared to \$16.848 million last year. However, as shown in the Statement of Activities on Page 18, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$8.589 million because some of the cost was paid by those directly benefiting from the programs (\$2.463 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.474 million). The County paid for the remaining "public benefit" portion of governmental activities with other revenues, such as interest and general entitlements.

**THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

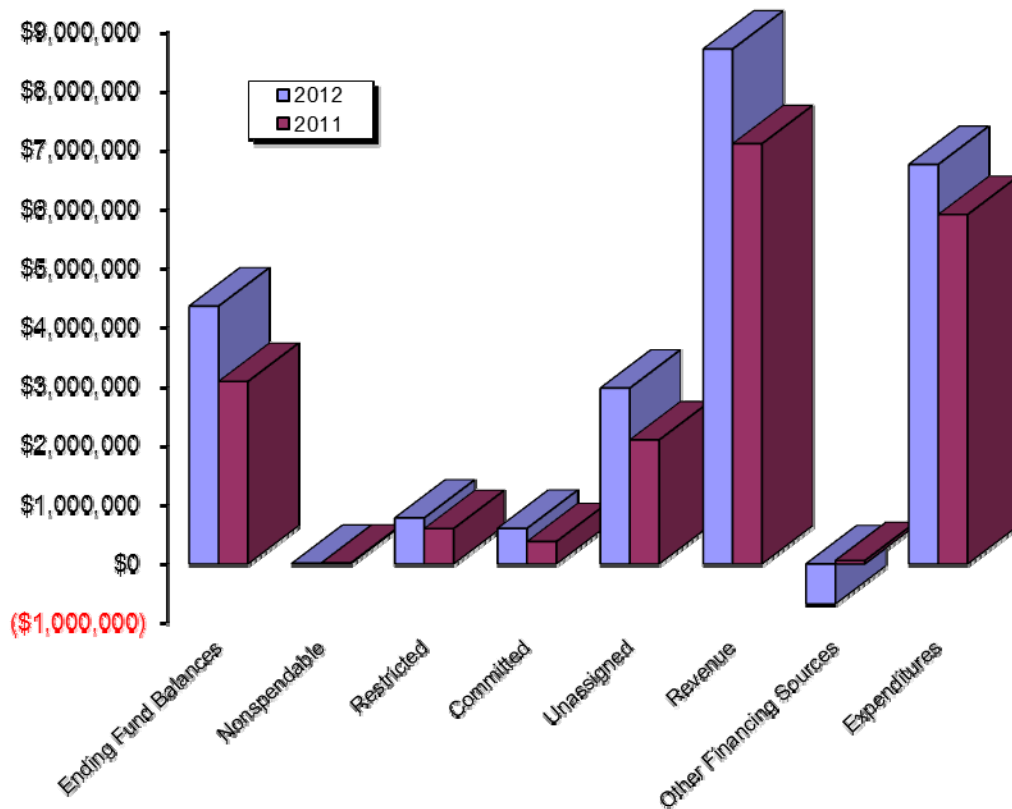
As the County completed the year, its governmental funds reported a combined fund balance of \$11,449,236, which is higher than last year's total of \$9,592,581. The County funds expended \$1,829,751 less than we received in operating revenues for the year. The following are the major reasons for the changes in fund balances from the prior year.

General Fund

General Fund revenues increased in 2012 by \$1,599,618 and expenditures increased \$847,851, when compared to the prior year. The ending fund balance increased from the prior year by \$1,273,717 with \$2,971,035 of that balance being unassigned. Unassigned funds are available for any legal use within the fund. The County continues to commit a portion of the ending fund balance to address any hazardous material incident in Benton County in addition to capital improvements and equipment replacement.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS-GENERAL FUND

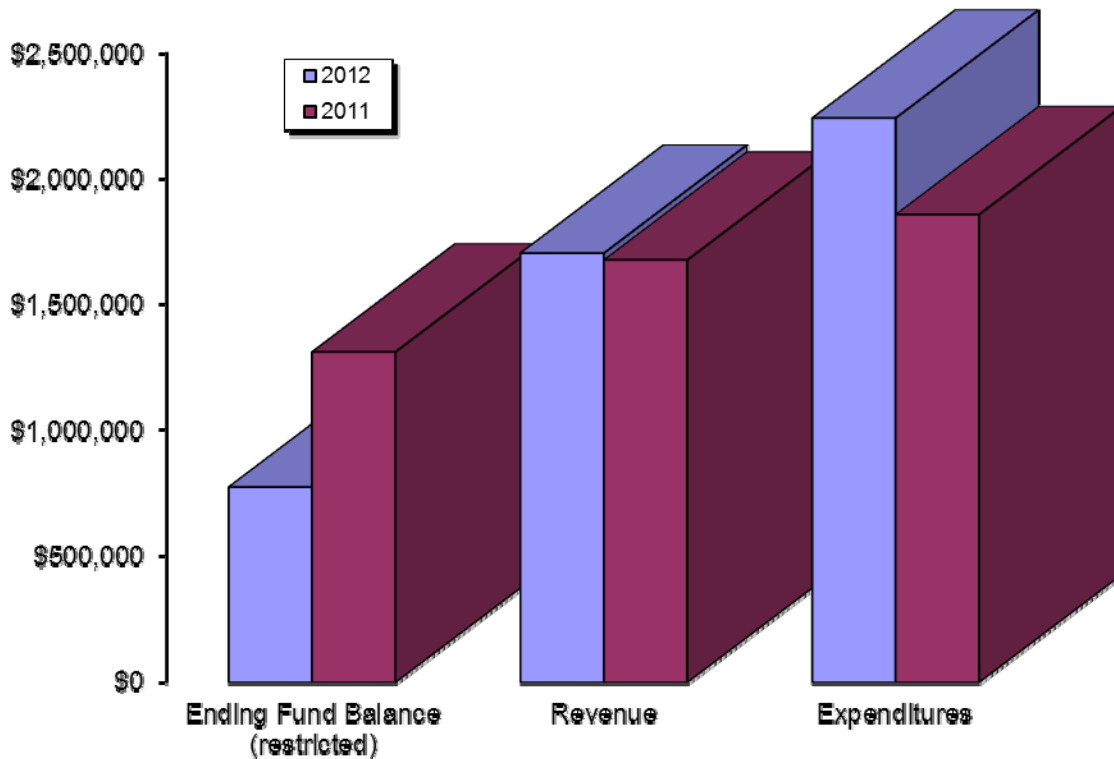
	<u>2012</u>	<u>2011</u>
Ending Fund Balances	\$4,356,766	\$3,083,049
Nonspendable	\$10,000	\$14,247
Restricted	\$775,731	\$596,334
Committed	\$600,000	\$376,463
Unassigned	\$2,971,035	\$2,096,005
Revenue	\$8,701,136	\$7,101,518
Other Financing Sources	(\$676,311)	\$54,744
Expenditures	\$6,751,108	\$5,903,257



## Mental Health

The State continues to look at ways to reorganize the delivery of mental health services in Iowa and enacted a law requiring regionalization of services and that eliminates the County's property tax mental health levy, our primary funding source, beginning in FY14, and replaces it with a per-capita dollar limitation. The future of the County's mental health fund is uncertain as a result of changing legislation. For the year, expenditures totaled \$2.241 million, an increase of approximately 21% from the prior year. The County's goal is to maintain a reserve that is equal to approximately 25% of the annual operating costs in the Mental Health Fund. The balance of the Mental Health Fund at year-end decreased by \$536,645 over the prior year bringing it closer to the County's 25% goal. The County is unable to make sound financial decisions relative to the delivery of mental health services due to the uncertainty of legislative action. The County continues to closely monitor discussions on the funding and reorganization of the mental health service delivery system at the legislative level.

	2012	2011
Ending Fund Balance (restricted)	\$775,678	\$1,312,323
Revenue	\$1,704,793	\$1,677,507
Expenditures	\$2,241,438	\$1,858,003

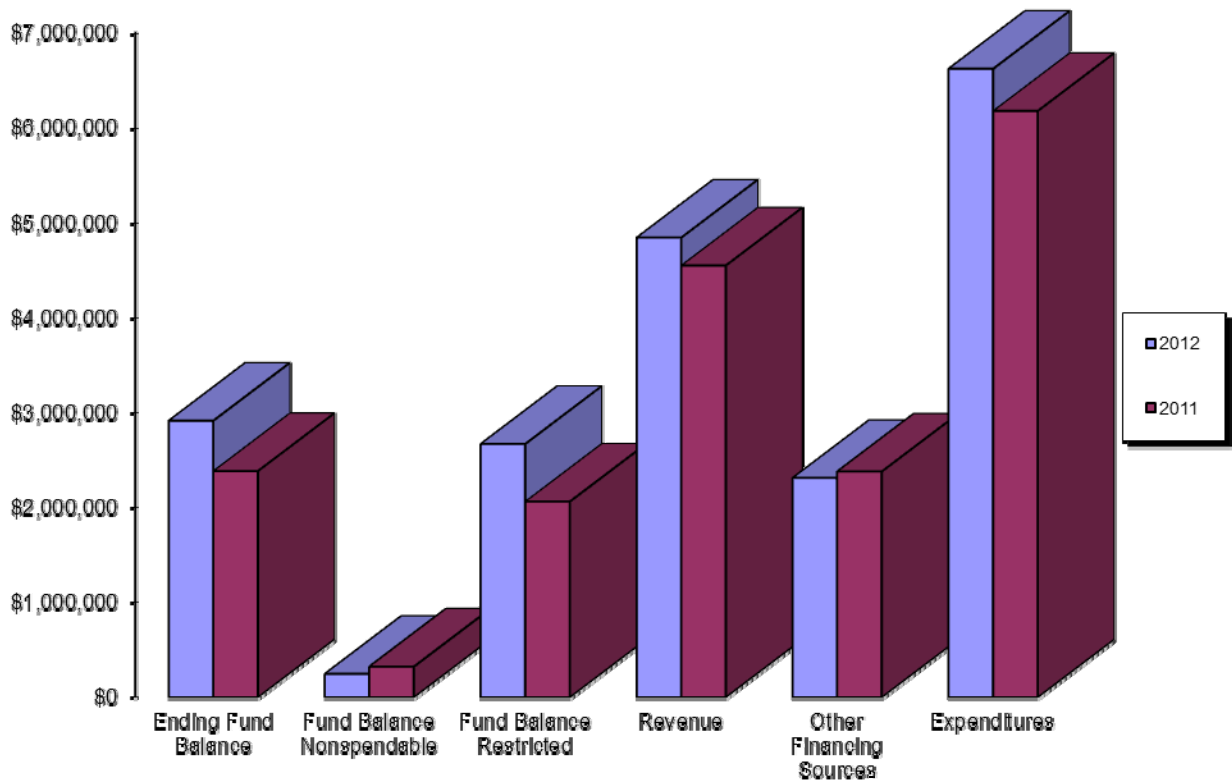


## Secondary Roads

Secondary Roads Fund expenditures increased by approximately \$444,500 over the prior year, which is due to consultant design costs for construction projects, increased road maintenance and higher cost for weed and brush control chemicals. The fund also realized an increase in revenues from 2011 to 2012 of approximately \$227,000, including other financing sources. This difference in revenue, other than other financing sources, was due to federal bridge reimbursement for a bridge replacement project and increased TIME-21 funds. Nonspendable fund balance, which generally accounts for inventory reserves, decreased approximately \$76,500 from 2011 to 2012. These factors have resulted in an increase in the Secondary Roads Fund ending balance of \$530,500 or approximately 22%. The County continues to plan for long-range projects including several grading and resurfacing projects and expects to fund a portion of those projects through local option sales tax revenue. Steps are being taken to re-design current projects to reduce costs, yet still meet the needs and safety of the traveling public. However, without additional revenue, all of these projects cannot be fully funded.

### THE COUNTY'S INDIVIDUAL MAJOR FUNDS-SECONDARY ROADS

	<u>2012</u>	<u>2011</u>
Ending Fund Balance	\$2,911,935	\$2,381,392
Fund Balance Nonspendable	\$244,986	\$321,490
Fund Balance Restricted	\$2,666,949	\$2,059,902
Revenue	\$4,840,210	\$4,546,310
Other Financing Sources	\$2,309,172	\$2,376,299
Expenditures	\$6,618,839	\$6,174,381





## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level (activity), not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Benton County amended its operating budget one time during the fiscal year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

At the end of FY12 Benton County had \$38.273 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Debt

At year-end, the County had \$150,000 in outstanding revenue bonds for the construction of a new cell at the sanitary disposal facility.

Tax increment debt for internal loans stood at \$51,044 as of June 30, 2012. The debt is for internal loans payable with tax increment for costs associated with road improvements that access Frontier Cooperative, a rural Benton County employer. The County also has a tax rebate incentive agreement with Frontier Cooperative, payable from tax increment, which is 50% of the property taxes assessed to Frontier Cooperative annually on new construction, for a five-year period. The agreement will expire in FY13.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt limitation is \$114 million, based on 2012 values.

### 100% Assessed Values for Calculating Debt Capacity

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$2,283,325,008	\$2,245,302,155	\$2,082,608,985

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Benton County's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County stood at 5.2 percent in December 2012 compared with the State's December 2012 unemployment rate of 4.9 percent and the national rate of 7.8 percent.

Inflation in the State is comparable to the increase in the national Consumer Price Index. The Midwest's CPI increase was 1.3 percent for the 12-month period ending January 2013 compared with the national rate of 1.6 percent.

At the time the 2013 General Fund budget was adopted these indicators were not at the same level they are today; however the County took the economic situation into account when adopting the General Fund budget for FY2013. Benton County continued to use local option sales and services tax receipts to fund activities in the rural fund resulting in a reduced levy. Benton County will continue to use fund reserves to finance programs we currently offer and offset the effect of inflation on program costs. Overall budgeted program disbursements are expected to increase by approximately \$3,107,443 in FY13 in comparison to actual disbursements for FY12. A significant increase is reflected in capital project costs for secondary roads and infrastructure costs at the County's sanitary disposal facility. If these estimates are realized, the County's budgetary operating balance is expected to significantly decrease by the close of 2013.

The County's finances will continue to be impacted as a result of the Federal and State budget cuts. We continue to closely monitor the State of Iowa's financial condition as well as legislative activity and assess its potential impact on the County's financial position. In response to the financial uncertainty facing the County in FY2012, the County's management was able to reduce actual expenditures when compared to budgeted expense. The County's management actively looks for alternate ways to deliver services that would improve efficiency and reduce expenses. The County continues to re-evaluate the effectiveness of programs versus the cost. The County continues to look for ways to increase revenue without increasing taxes and has committed to a new program of collecting court and jail fines in an effort to collect non-tax revenue. Although there are additional costs associated with the collection program it is anticipated that the revenue will exceed the expense. The State legislature has determined that the delivery of mental health services in Iowa needs to be restructured and enacted legislation in 2012. It remains uncertain at this time the impact the restructuring will have on Benton County and those persons being served. Property tax reform remains at the forefront of the state legislature. Property tax is the primary source of funding for County services. It continues to be difficult for Benton County to make sound financial plans for the future with the uncertainty of federal and state legislative action. The County must also be prepared for natural disasters and the impact they may have on the County's financial condition as demonstrated over the past five years.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Benton 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 County Auditor's Office, Benton County, P.O. Box 549, 111 E. 4<sup>th</sup> Street, Vinton, Iowa, 52349.



Basic Financial Statements  
**Benton County**

Benton County  
Exhibit A – Statement of Net Assets  
June 30, 2012

	Governmental Activities
Assets	
Cash and Pooled Investments	\$ 11,614,218
Receivables:	
Property tax:	
Delinquent	15,905
Succeeding year	8,675,255
Interest and penalty on property tax	28,729
Accounts	385,912
Accrued interest	10,116
Due from Other Governments	1,817,931
Inventories	244,986
Prepaid Expenses	107,473
Loan Receivable	22,644
Capital Assets:	
Capital assets, not being depreciated	5,010,320
Capital assets (net of accumulated depreciation)	33,263,599
Total assets	61,197,088
Liabilities	
Accounts Payable	715,856
Salaries and Benefits Payable	244,939
Accrued Interest Payable	385
Due to Other Governments	299,096
Unearned Revenue:	
Succeeding year property tax	8,675,255
Long-Term Liabilities:	
Portion due or payable within one year:	
Revenue note payable	50,000
Compensated absences	343,370
Termination benefits	31,025
Portion due or payable after one year:	
Revenue note payable	100,000
Net OPEB liability	146,098
Landfill closure and postclosure care	1,497,903
Termination benefits	64,175
Total liabilities	12,168,102

Benton County  
 Exhibit A – Statement of Net Assets  
 June 30, 2012

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	Governmental Activities
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 38,123,919
Restricted for:	
Secondary roads purposes	3,315,842
Mental health purposes	777,249
Supplemental levy purposes	775,731
Other purposes	1,049,729
Endowments:	
Expendable	37,070
Nonexpendable	847,658
Unrestricted	4,101,788
Total net assets	\$ 49,028,986

	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental Activities:		
Public safety and legal services	\$ 3,533,793	\$ 353,628
Physical health and social services	723,286	227,868
Mental health	2,265,223	34,867
County environment and education	1,976,962	890,377
Roads and transportation	7,957,718	381,739
Governmental services to residents	627,409	531,639
Administration	1,312,439	43,660
Non-program	134,980	-
Interest on long-term debt	23,579	-
Total Governmental Activities	<u>\$ 18,555,389</u>	<u>\$ 2,463,778</u>
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		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets Beginning of Year		
Net Assets End of Year		

See Notes to Financial Statements

Benton County  
Exhibit B - Statement of Activities  
Year Ended June 30, 2012

<u>Program Revenues</u>		
Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
\$ 301,591	\$ 244,795	\$ (2,633,779)
186,324	-	(309,094)
92,254	-	(2,138,102)
117,254	-	(969,331)
4,547,111	2,682,218	(346,650)
-	-	(95,770)
303,396	-	(965,383)
-	-	(134,980)
-	-	(23,579)
<u>\$ 5,547,930</u>	<u>\$ 2,927,013</u>	<u>(7,616,668)</u>

8,187,758  
335,905  
65,929  
1,171,597  
763,777  
91,409  
61,834

10,678,209

3,061,541  
45,967,445

\$ 49,028,986

	General	Rural Services
<b>Assets</b>		
Cash and Pooled Investments	\$ 4,084,859	\$ 273,952
<b>Receivables:</b>		
Property tax:		
Delinquent	10,043	3,560
Succeeding year	5,555,887	2,210,685
Interest and penalty on property tax	28,729	-
Accounts	4,127	-
Accrued interest	5,168	-
Due from Other Funds	-	-
Due from Other Governments	1,354,260	-
Loan Receivable	-	-
Inventories	-	-
Advances to Other Funds	-	-
Prepays	10,000	-
Total assets	<u>\$ 11,053,073</u>	<u>\$ 2,488,197</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 66,918	\$ 1,663
Salaries and benefits payable	147,508	5,520
Due to other funds	9,710	-
Due to other governments	8,952	-
Advance from other funds	-	-
Deferred revenue:		
Succeeding year property tax	5,555,887	2,210,685
Other	907,332	3,259
Total liabilities	<u>6,696,307</u>	<u>2,221,127</u>
<b>Fund Balances:</b>		
Nonspendable	10,000	-
Restricted	775,731	267,070
Committed	600,000	-
Unassigned	2,971,035	-
Total fund balances	<u>4,356,766</u>	<u>267,070</u>
Total liabilities and fund balances	<u>\$ 11,053,073</u>	<u>\$ 2,488,197</u>

See Notes to Financial Statements



Benton County  
Exhibit C – Balance Sheet  
Governmental Funds  
June 30, 2012

<u>Special Revenue</u>			Nonmajor Governmental Funds	<u>Total</u>
Secondary Roads	Mental Health			
\$ 2,914,824	\$ 1,103,715		\$ 3,113,828	\$ 11,491,178
-	1,666		636	15,905
-	908,683		-	8,675,255
-	-		-	28,729
362,431	11,033		8,321	385,912
-	-		4,948	10,116
10,516	-		4,970	15,486
323,370	1,856		138,445	1,817,931
-	-		22,644	22,644
244,986	-		-	244,986
-	-		292,226	292,226
-	-		-	10,000
<u>\$ 3,856,127</u>	<u>\$ 2,026,953</u>		<u>\$ 3,586,018</u>	<u>\$ 23,010,368</u>
\$ 445,434	\$ 70,391		\$ 131,450	\$ 715,856
78,091	4,629		9,191	244,939
-	-		5,776	15,486
16,760	266,001		7,383	299,096
-	-		292,226	292,226
-	908,683		-	8,675,255
403,907	1,571		2,205	1,318,274
<u>944,192</u>	<u>1,251,275</u>		<u>448,231</u>	<u>11,561,132</u>
244,986	-		847,658	1,102,644
2,666,949	775,678		2,312,168	6,797,596
-	-		-	600,000
-	-		(22,039)	2,948,996
<u>2,911,935</u>	<u>775,678</u>		<u>3,137,787</u>	<u>11,449,236</u>
<u>\$ 3,856,127</u>	<u>\$ 2,026,953</u>		<u>\$ 3,586,018</u>	<u>\$ 23,010,368</u>

Benton County  
 Exhibit D – Reconciliation of the Balance Sheet –  
 Governmental Funds to the Statement of Net Assets  
 June 30, 2012

Total Governmental Fund Balances \$ 11,449,236

Amounts Reported for Governmental Activities in the Statement of Net  
 Assets Are Different Because:

Capital assets used in governmental activities are not current financial  
 resources and, therefore, are not reported in the governmental funds. 38,273,919

Other long-term assets are not available to pay current period  
 expenditures and, therefore, are deferred in the governmental funds. 1,318,274

The Internal Service Fund is used by the County to charge the costs of  
 health insurance to the individual funds. The assets and liabilities  
 of the Internal Service Fund are included with governmental activities  
 in the Statement of Net Assets. 220,513

Long-term liabilities applicable to the County's governmental  
 activities are not due and payable in the current period and,  
 therefore, are not reported as fund liabilities. Interest on  
 long-term debt is not accrued in governmental funds, but rather  
 is recognized as an expenditure when due. All liabilities - both  
 current and long-term - are reported in the Statement of Net  
 Assets. Balances at June 30, 2012, are:

Compensated absences	\$	(343,370)	
Liability for landfill closure and postclosure care		(1,497,903)	
Net OPEB liability		(146,098)	
Revenue note payable		(150,000)	
Accrued interest		(385)	
Termination benefits		(95,200)	
Total long-term liabilities		(2,232,956)	(2,232,956)

Net Assets of Governmental Activities \$ 49,028,986

	<u>General</u>	<u>Rural Services</u>
Revenues:		
Property and other County tax	\$ 5,192,474	\$ 2,113,818
Interest and penalty on property tax	60,888	-
Intergovernmental	2,350,278	118,078
Licenses and permits	29,491	-
Charges for service	758,412	7,900
Use of money and property	168,508	-
Miscellaneous	141,085	-
Total revenues	<u>8,701,136</u>	<u>2,239,796</u>
Expenditures:		
Operating:		
Public safety and legal services	3,296,001	71,330
Physical health and social services	724,388	-
Mental health	-	-
County environment and education	719,498	160,139
Roads and transportation	-	-
Governmental services to residents	575,720	5,243
Administration	1,300,521	2,321
Non-program	134,980	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>6,751,108</u>	<u>239,033</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>1,950,028</u>	<u>2,000,763</u>
Other Financing Sources (Uses):		
Sale of capital assets	2,904	-
Transfers in	-	192,871
Transfers out	(679,215)	(2,160,613)
Total other financing sources (uses)	<u>(676,311)</u>	<u>(1,967,742)</u>
Net Change in Fund Balances	1,273,717	33,021
Fund Balances Beginning of Year	<u>3,083,049</u>	<u>234,049</u>
Fund Balances End of Year	<u>\$ 4,356,766</u>	<u>\$ 267,070</u>

See Notes to Financial Statements

Benton County  
 Exhibit E – Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2012

Special Revenue			
Secondary Roads	Mental Health	Nonmajor Governmental Funds	Total
\$ -	\$ 861,274	\$ 1,115,766	\$ 9,283,332
-	-	-	60,888
4,516,086	808,652	477,293	8,270,387
24,290	-	-	53,781
-	4,872	302,921	1,074,105
-	-	74,330	242,838
<u>299,834</u>	<u>29,995</u>	<u>9,889</u>	<u>480,803</u>
<u>4,840,210</u>	<u>1,704,793</u>	<u>1,980,199</u>	<u>19,466,134</u>
-	-	10,769	3,378,100
-	-	2,800	727,188
-	2,241,438	-	2,241,438
-	-	801,130	1,680,767
6,433,156	-	-	6,433,156
-	-	5,483	586,446
-	-	62,829	1,365,671
-	-	-	134,980
-	-	819,476	819,476
<u>185,683</u>	<u>-</u>	<u>83,478</u>	<u>269,161</u>
<u>6,618,839</u>	<u>2,241,438</u>	<u>1,785,965</u>	<u>17,636,383</u>
<u>(1,778,629)</u>	<u>(536,645)</u>	<u>194,234</u>	<u>1,829,751</u>
24,000	-	-	26,904
2,285,172	-	810,767	3,288,810
<u>-</u>	<u>-</u>	<u>(448,982)</u>	<u>(3,288,810)</u>
<u>2,309,172</u>	<u>-</u>	<u>361,785</u>	<u>26,904</u>
530,543	(536,645)	556,019	1,856,655
<u>2,381,392</u>	<u>1,312,323</u>	<u>2,581,768</u>	<u>9,592,581</u>
<u>\$ 2,911,935</u>	<u>\$ 775,678</u>	<u>\$ 3,137,787</u>	<u>\$ 11,449,236</u>

**Benton County**

Exhibit F – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2012

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Net change in fund balances - total governmental funds \$ 1,856,655

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

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

Expenditures for capital assets	\$ 763,422	
Contributed capital assets	2,927,013	
Depreciation expense	<u>(2,395,295)</u>	
		1,295,140

In the Statement of Activities, only the gain or the loss of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the assets being disposed. (35,266)

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Repayments 915,000

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

Property tax	4,109	
Grants	(812,271)	
Miscellaneous	<u>5,041</u>	
		(803,121)

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:

Change in compensated absences	(33,768)	
Change in net OPEB liability	(20,066)	
Change in accrued interest payable	897	
Change in landfill closure and postclosure liability	<u>(118,045)</u>	
	<u>23,800</u>	(147,182)

**Benton County**

Exhibit F – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2012

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The Internal Service Fund is used by the County to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

\$ (19,685)

Change in net assets of governmental activities

\$ 3,061,541

**Benton County**  
 Exhibit G – Statement of Net Assets  
 Proprietary Fund  
 June 30, 2012

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	Internal Service - Benton County <u>Co-Insurance</u>
Assets	
Cash and pooled investments	\$ 123,040
Prepaid expense	<u>97,473</u>
Total assets	220,513
Liabilities	<u>-</u>
Net Assets	
Unrestricted	<u><u>\$ 220,513</u></u>

**Benton County**  
 Exhibit H – Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Fund  
 Year Ended June 30, 2012

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	Internal Service - Benton County <u>Co-Insurance</u>
Operating Revenues:	
Charges for service	\$ 1,122,940
Miscellaneous	66,615
Total operating revenues	<u>1,189,555</u>
Operating Expenses:	
Insurance premiums	1,086,561
Claims and administrative expenses	122,679
Total operating expenses	<u>1,209,240</u>
Change in Net Assets	(19,685)
Net Assets Beginning of Year	<u>240,198</u>
Net Assets End of Year	<u><u>\$ 220,513</u></u>



**Benton County**  
 Exhibit I – Statement of Cash Flows  
 Proprietary Fund  
 Year Ended June 30, 2012

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	Internal Service - Benton County <u>Co-Insurance</u>
Cash Flows from Operating Activities:	
Cash received from employees and others	\$ 1,190,271
Cash paid for administrative fees and supplies	(122,679)
Cash paid for insurance claims/premiums	<u>(1,095,972)</u>
Net Cash used for Operating Activities	(28,380)
Cash and Pooled Investments at Beginning of Year	<u>151,420</u>
Cash and Pooled Investments at End of Year	<u><u>\$ 123,040</u></u>
Reconciliation of Change in Net Assets to Net Cash used for Operating Activities:	
Change in net assets	<u>\$ (19,685)</u>
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Increase in prepaid expense	(9,411)
Decrease in accounts receivable	<u>716</u>
	<u>(8,695)</u>
Net Cash used for Operating Activities	<u><u>\$ (28,380)</u></u>

Benton County  
Exhibit J – Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

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Assets	
Cash and pooled investments	\$ 1,755,246
Receivables:	
Property tax:	
Delinquent	74,151
Succeeding year	26,689,959
Accounts	22,374
Special assessments	117,961
Interest on special assessments	3,693
Due from other governments	<u>10,827</u>
Total assets	<u>28,674,211</u>
Liabilities	
Salaries and benefits payable	8,691
Due to other governments	28,609,490
Trusts payable	<u>56,030</u>
Total liabilities	<u>28,674,211</u>
Net Assets	<u><u>\$ -</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

Benton County (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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

### **Reporting Entity**

For financial reporting purposes, Benton 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.

Based on the above criteria, the County has determined that there are no potential component units which must be included in the County's financial statements as of and for the year ended June 30, 2012.

### **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: Benton County Assessor's Conference Board, Benton County Emergency Management Commission, and Benton 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.

### **Basis of Presentation**

#### **Government-wide Financial Statements**

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding debt balances attributable to the acquisition, construction or improvement of those assets.

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

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

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

### **Fund Financial Statements**

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

The County reports the following major governmental funds:

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

#### Special Revenue:

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

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

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

Additionally, the County reports the following fund types:

Capital Projects – The Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities.

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

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

### **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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

### **Assets, Liabilities, and Fund Equity**

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010, assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

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

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Assessments receivable represent assessments which are due and payable but have not been collected.

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

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

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

Prepaid Expenses – Prepaid expenses represent certain payments to vendors that reflect costs applicable to future accounting periods.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated 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 \$500 and estimated useful lives in excess of two years.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	15 - 65
Intangibles	2 - 20
Buildings	20 - 50
Equipment	2 - 30

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

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

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

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

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

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.



When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Supervisors has provided otherwise in its commitment of assignment actions.

Fund Balance Classification	Purpose	Fund	Amount	
Nonspendable	Prepays	General	\$ 10,000	
	Inventories	Secondary Roads	244,986	
	Donor Restricted	Carol Sue Donovan Conservation Fund	847,658	
			<u>\$ 1,102,644</u>	
Restricted	General Supplemental	General Fund	\$ 775,731	
	Rural Services	Rural Services	267,070	
	Secondary Roads	Secondary Roads	2,666,949	
	Mental Health	Mental Health	775,678	
	Records Management	County Recorder's Records Management	42,979	
	Conservation	REAP	22,753	
	Sanitary Disposal	Sanitary Disposal	1,528,577	
	Water	Ground Water	11,725	
	Emergency Food and Shelter	Emergency Food and Shelter Program	497	
	Environment	Environmental Projects	10,000	
	Roads, Conservation, Libraries, Emergency Services	LOST	623,228	
	Electronic Transactions	County Recorder's Electronic Transaction	567	
	Forfeiture	County Sheriff's Forfeiture Fund	17,010	
	Commissary	County Sheriff's Commissary Fund	12,463	
	Sheriff	County Sheriff's Donation Fund	40	
	Conservation	Carol Sue Donovan Conservation Fund	37,070	
	Debt Payments	Debt Service	5,259	
			<u>\$ 6,797,596</u>	
	Committed	Courthouse Renovations	General Fund	\$ 275,000
		Election Equipment	General Fund	192,000
DHS Renovations		General Fund	75,000	
Emergency Response		General Fund	50,000	
Sanitarian Vehicle		General Fund	8,000	
			<u>\$ 600,000</u>	

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2 - Cash and Pooled Investments**

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

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

The County held no such investments at June 30, 2012.

Interest Rate Risk – The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

**Note 3 - Interfund Balances and Transfers**

The detail of due from and due to other funds at June 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Secondary Roads	General	\$ 9,710
	Nonmajor Governmental	806
Nonmajor Governmental	Nonmajor Governmental	<u>4,970</u>
		<u>\$ 15,486</u>

These balances result from the time lag between the dates interfund goods and services are provided and payments between funds are made.

The detail of advances to and from other funds at June 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	Nonmajor Governmental	<u>\$ 292,226</u>

This balance represents a loan from the Carol Sue Donovan Conservation Fund for the purchase of nature center property. The loan will be repaid in installments of \$46,024, including interest, from local option sales tax revenue through fiscal year 2018.

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Rural Services	Nonmajor Governmental	\$ 192,871
Secondary Roads	General	147,588
	Rural Services	1,897,873
	Nonmajor Governmental	239,711
Nonmajor Governmental	General	531,627
	Rural Services	262,740
	Nonmajor Governmental	<u>16,400</u>
Total		<u><u>\$ 3,288,810</u></u>

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

**Note 4 - 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. The agency funds also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
Governmental	Services	
General		\$ 8,952
Secondary Roads		16,760
Mental Health		266,001
Nonmajor Governmental		7,383
		<u>299,096</u>
Total for Governmental Funds		<u>299,096</u>
Agency	Collections	
County Recorder		17,690
County Recorder's Electronic Fee		560
County Sheriff		350
Agricultural Extension		210,467
County Assessor		857,173
Schools		17,868,575
Community Colleges		1,318,349
Corporations		6,944,908
Townships		378,323
Auto License and Use Tax		590,059
Brucellosis and Tuberculosis Eradication		5,803
Fire Districts		89,267
E911 Surcharge		95,825
Joint Disaster Services		52,552
City Special Assessments		134,273
Empowerment Board		45,316
		<u>28,609,490</u>
Total for Agency Funds		<u>28,609,490</u>
		<u>\$ 28,908,586</u>

**Note 5 - Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,987,076	\$ -	\$ -	\$ 1,987,076
Construction in progress	1,195,369	2,693,228	(865,353)	3,023,244
Total capital assets not being depreciated	3,182,445	2,693,228	(865,353)	5,010,320
Capital assets being depreciated:				
Buildings	8,896,373	6,919	-	8,903,292
Equipment	12,694,180	984,435	(68,277)	13,610,338
Infrastructure	38,572,963	871,206	-	39,444,169
Total capital assets being depreciated	60,163,516	1,862,560	(68,277)	61,957,799
Less accumulated depreciation for:				
Buildings	1,427,291	191,886	-	1,619,177
Equipment	7,581,939	851,133	(33,011)	8,400,061
Infrastructure	17,322,686	1,352,276	-	18,674,962
Total accumulated depreciation	26,331,916	2,395,295	(33,011)	28,694,200
Total capital assets being depreciated, net	33,831,600	(532,735)	(35,266)	33,263,599
Governmental Activities Capital Assets, Net	\$ 37,014,045	\$ 2,160,493	\$ (900,619)	\$ 38,273,919

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 505,694
Physical health and social services	1,630
Mental health	23,575
County environment and education	239,349
Roads and transportation	1,561,480
Governmental services to residents	44,016
Administration	19,551
Total Depreciation Expense – Governmental Activities	\$ 2,395,295

**Note 6 - Long-Term Liabilities**

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

	Compensated Absences	Liability for Landfill Closure and Postclosure Care	Termination Benefits	Net OPEB Liability	Revenue Note Payable	Note Payable	Total
Balance Beginning of Year	\$ 309,602	\$ 1,379,858	\$ 119,000	\$ 126,033	\$ 195,000	\$ 870,000	\$ 2,999,493
Increases	343,370	118,045	-	20,065	-	-	481,480
Decreases	<u>(309,602)</u>	<u>-</u>	<u>(23,800)</u>	<u>-</u>	<u>(45,000)</u>	<u>(870,000)</u>	<u>(1,248,402)</u>
Balance End of Year	<u>\$ 343,370</u>	<u>\$ 1,497,903</u>	<u>\$ 95,200</u>	<u>\$ 146,098</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 2,232,571</u>
Due Within One Year	<u>\$ 343,370</u>	<u>\$ -</u>	<u>\$ 31,025</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 424,395</u>

**Notes Payable**

In fiscal year 2010, the County issued a \$250,000 solid waste disposal revenue note, with interest rates ranging from 2.0% to 3.5%, to finance land fill improvements. Additionally in fiscal year 2011, the County issued a \$750,000 general obligation note payable, with a 1.3% interest rate, to finance the cost of the new law enforcement center.

A summary of the County's June 30, 2012, notes payable indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 50,000	\$ 4,625	\$ 54,625
2014	50,000	3,375	53,375
2015	<u>50,000</u>	<u>1,750</u>	<u>51,750</u>
Total	<u>\$ 150,000</u>	<u>\$ 9,750</u>	<u>\$ 159,750</u>

The notes payable decrease includes \$120,000 of debt repayment related to the purchase of secondary roads equipment. The payment has been reported as a road and transportation expenditure in the Secondary Roads Fund.

**Note 7 - Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$428,734, \$335,935, and \$344,378, respectively, equal to the required contributions for each year.

**Note 8 - Other Postemployment Benefits (OPEB)**

**Plan Description** – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 104 active and 7 retired members in the Plan. Participants must be age 55 or older at retirement. The Plan does not issue a stand-alone financial report.

The medical coverage, which is a fully-insured medical plan, is administered by Wellmark. A portion of the plan deductibles is self-insured by the County. Retirees under age 65 pay the same premium 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, 2012, the amount actually contributed to the Plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 51,530
Interest on Net OPEB Obligation	5,041
Adjustments to Annual Required Contribution	<u>(5,009)</u>
Annual OPEB cost	51,562
Contributions Made	<u>(31,497)</u>
Increase in net OPEB obligation	20,065
Net OPEB Obligation, Beginning of Year	<u>126,033</u>
Net OPEB Obligation, End of Year	<u><u>\$ 146,098</u></u>

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

For the year ended June 30, 2012, the County contributed \$31,497 to the medical plan. Plan members eligible for benefits contributed \$35,939 or 100% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 51,562	61.1%	\$ 146,098
2011	65,767	33.2%	126,033
2010	57,817	32.4%	82,087

**Funded Status and Funding Progress** – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$475,516, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$475,516. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$4,885,005 and the ratio of the UAAL to covered payroll was 9.7%. As of June 30, 2012, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The 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 with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health care trend rate is 10%. The ultimate health care trend rate is 5%. The health care trend rate is reduced 0.5% each year until reaching the 5% ultimate medical trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Mortality Fully Generational Table.

Projected claim costs of the medical plan are \$489 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



### **Note 9 - Termination Benefits**

The County offered an early retirement benefit to non-union employees who met certain requirements, such as age and years of service. Those who participated in the benefit will receive \$425 per month towards the cost of a single premium under the County's health insurance plan until the retiree turns 65.

As of June 30, 2012, the County has seven participants in the plan for a net obligation of \$95,200.

### **Note 10 - Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Benton County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987, to provide workers' compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2012, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including the retention of the pool. The pool also purchased a reinsurance policy for property coverage for losses in excess of \$100,000 to a maximum of \$20,000,000 in covered property (including the retention). In addition, the pool purchased a reinsurance policy in excess of \$400,000 per occurrence up to a maximum of \$7,000,000 per occurrence, including the retention of the pool for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported (IBNR). The IBNR estimates are based on the past experience of the Pool and upon the recommendations of By the Numbers Actuarial Consulting, Inc. who also performs an annual actuarial review of the entire program. At June 30, 2012, 2011, and 2010, the risk pool fund reported a surplus of pool assets over liabilities.

Member counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and/or the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member county in addition to the premium contributions. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member county may withdraw at the end of the fifth fiscal year of any five-year term, with a minimum of ninety (90) days written notice to the Chairman of the Board of Trustees. The initial membership period for the County commenced July 1, 1987. The County extended their membership for a five-year period, commencing July 1, 2010, until July 1, 2015. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with boiler/machinery. The Public Officials Bond and crime coverage is purchased through a local broker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11 - Landfill Closure and Postclosure Care**

State and federal laws and regulations require Benton County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an increase in the long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$1,497,903 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 93 percent of the estimated capacity. Total estimated closure and postclosure costs are \$270,965 and \$1,390,312, respectively. The County will recognize the remaining estimated cost of closure and postclosure care of \$163,374 as the remaining estimated capacity is used.

These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2012. The County expects to close the entire landfill in the year 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has begun to accumulate resources to fund these costs in accordance with state and federal requirements. During the year ended June 30, 2000, a fund dedicated to closure and postclosure costs was established to demonstrate financial assurance. The County transferred \$80,000 to the fund during the fiscal year and the balance of this fund at June 30, 2012, is \$1,384,999. The County has demonstrated financial assurance for the landfill by using the Local Government Financial Test in combination with the Local Government Dedicated Fund.

### **Note 12 - Deficit Fund Balance**

The Capital Projects – Conservation Land Acquisition Trust Fund had a deficit fund balance at June 30, 2012, of \$22,039.

### **Note 13 - Donor-Restricted Endowment**

The County has a permanent endowment fund (Carol Sue Donovan Conservation Fund) established for the maintenance and operation of wildlife and other conservation areas, and to promote and preserve the health and general welfare of the people by encouraging the orderly development and conservation of natural resources. Any net earnings that are earned are required to be spent for the purposes for which the endowment was established.

### **Note 14 - Prospective Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued eight statements not yet implemented by Benton County. The statements which might impact Benton County, are as follows:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The County's management has not yet determined the effect these statements will have on the County's financial statements.



Required Supplementary Information  
June 30, 2012

# Benton County

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	Governmental		
	Fund Types	Budgeted Amounts	
		Actual	Original
Receipts:			
Property and other County tax	\$ 9,292,177	\$ 9,314,786	\$ 9,314,786
Interest and penalty on property tax	61,814	57,800	57,800
Intergovernmental	7,622,142	8,374,875	8,374,875
Licenses and permits	52,758	24,150	24,150
Charges for service	1,061,615	845,305	845,305
Use of money and property	259,682	174,610	174,610
Miscellaneous	471,332	693,505	693,505
Total receipts	<u>18,821,520</u>	<u>19,485,031</u>	<u>19,485,031</u>
Disbursements:			
Operating:			
Public safety and legal services	3,364,436	4,063,154	4,063,154
Physical health and social services	713,128	867,877	867,877
Mental health	2,299,336	2,557,104	2,557,104
County environment and education	1,564,854	2,444,999	2,454,999
Roads and transportation	6,348,780	6,355,000	6,355,000
Governmental services to residents	584,924	692,128	692,128
Administration	1,366,581	1,458,839	1,458,839
Non-program	140,161	165,000	165,000
Debt service	857,250	866,525	866,525
Capital projects	644,598	2,420,500	2,870,500
Total disbursements	<u>17,884,048</u>	<u>21,891,126</u>	<u>22,351,126</u>
Excess (Deficiency) of Receipts over (Under) Disbursements	937,472	(2,406,095)	(2,866,095)
Other Financing Sources, Net	<u>64,678</u>	<u>92,024</u>	<u>92,024</u>
Excess (Deficiency) of Receipts and Other Financing Sources over (Under) Disbursements and Other Financing Uses	1,002,150	(2,314,071)	(2,774,071)
Balance Beginning of Year	<u>10,295,984</u>	<u>10,295,984</u>	<u>10,295,984</u>
Balance End of Year	<u>\$ 11,298,134</u>	<u>\$ 7,981,913</u>	<u>\$ 7,521,913</u>

Benton County

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual  
(Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2012

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Variance- Over (Under) Budget	Actual as % of Final Budget
\$ (22,609)	100%
4,014	107
(752,733)	91
28,608	218
216,310	126
85,072	149
(222,173)	68
(663,511)	97
(698,718)	83%
(154,749)	82
(257,768)	90
(890,145)	64
(6,220)	100
(107,204)	85
(92,258)	94
(24,839)	85
(9,275)	99
(2,225,902)	22
(4,467,078)	80
3,803,567	
(27,346)	
3,776,221	
-	
\$ 3,776,221	



**Benton County**  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2012

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	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 18,821,520	\$ 644,614	\$ 19,466,134
Expenditures	17,884,048	(247,665)	17,636,383
Net	937,472	892,279	1,829,751
Other Financing Sources, Net	64,678	(37,774)	26,904
Beginning Fund Balances	10,295,984	(703,403)	9,592,581
Ending Fund Balances	\$ 11,298,134	\$ 151,102	\$ 11,449,236

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$460,000. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted for any function.

Benton County  
 Schedule of Funding Progress for the Retiree Health Plan  
 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	07/01/08	\$ -	\$ 536,158	\$ 536,158	0.0%	\$ 4,338,803	12.4%
2011	07/01/08	-	690,021	690,021	0.0%	4,468,967	15.4%
2012	07/01/11	-	475,516	475,516	0.0%	4,885,005	9.7%



Other Supplementary Information  
**Benton County**

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						Special Revenue
	County Recorder's Records Management	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	Environmental Projects
Assets						
Cash and Pooled Investments	\$ 42,979	\$ 22,753	\$ 1,634,950	\$ 7,553	\$ 497	\$ 10,000
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	-
Accounts	-	-	8,321	-	-	-
Accrued interest	-	-	4,632	-	-	-
Due from Other Funds	-	-	-	4,970	-	-
Due from Other Governments	-	-	10,706	-	-	-
Loan Receivable	-	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Total assets	<u>\$ 42,979</u>	<u>\$ 22,753</u>	<u>\$ 1,658,609</u>	<u>\$ 12,523</u>	<u>\$ 497</u>	<u>\$ 10,000</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 106,113	\$ 798	\$ -	\$ -
Salaries and benefits payable	-	-	9,191	-	-	-
Due to other funds	-	-	5,776	-	-	-
Due to other governments	-	-	7,383	-	-	-
Advance from other funds	-	-	-	-	-	-
Deferred revenue:						
Other	-	-	1,569	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>130,032</u>	<u>798</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	42,979	22,753	1,528,577	11,725	497	10,000
Unassigned	-	-	-	-	-	-
Total fund balances	<u>42,979</u>	<u>22,753</u>	<u>1,528,577</u>	<u>11,725</u>	<u>497</u>	<u>10,000</u>
Total liabilities and fund balances	<u>\$ 42,979</u>	<u>\$ 22,753</u>	<u>\$ 1,658,609</u>	<u>\$ 12,523</u>	<u>\$ 497</u>	<u>\$ 10,000</u>

**Benton County**  
**Schedule 1 – Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

Funds						
Urbana TIF	Local Option Sales Tax	County Recorder's Electronic Transaction	County Sheriff's Forfeiture Fund	County Sheriff's Commissary Fund	County Sheriff's Donation Fund	County Conservation Donation Fund
\$ -	\$ 765,071	\$ 567	\$ 17,010	\$ 12,463	\$ 40	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	127,739	-	-	-	-	-
-	22,644	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 915,454</u>	<u>\$ 567</u>	<u>\$ 17,010</u>	<u>\$ 12,463</u>	<u>\$ 40</u>	<u>\$ -</u>
\$ -	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	292,226	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>292,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	623,228	567	17,010	12,463	40	-
-	-	-	-	-	-	-
<u>-</u>	<u>623,228</u>	<u>567</u>	<u>17,010</u>	<u>12,463</u>	<u>40</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 915,454</u>	<u>\$ 567</u>	<u>\$ 17,010</u>	<u>\$ 12,463</u>	<u>\$ 40</u>	<u>\$ -</u>

Benton County  
Schedule 1 – Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	Capital Projects Fund	Capitla Projects Fund Conservation Land Acquisition Fund	Permanent Fund Carol Sue Donovan Conservation Fund	Debt Service	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and Pooled Investments	\$ -	\$ 2,500	\$ 592,186	\$ 5,259	\$ 3,113,828
<b>Receivables:</b>					
Property tax:					
Delinquent	-	-	-	636	636
Accounts	-	-	-	-	8,321
Accrued interest	-	-	316	-	4,948
Due from Other Funds	-	-	-	-	4,970
Due from Other Governments	-	-	-	-	138,445
Loan Receivable	-	-	-	-	22,644
Advances to Other Funds	-	-	292,226	-	292,226
Total assets	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 884,728</u>	<u>\$ 5,895</u>	<u>\$ 3,586,018</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 24,539	\$ -	\$ -	\$ 131,450
Salaries and benefits payable	-	-	-	-	9,191
Due to other funds	-	-	-	-	5,776
Due to other governments	-	-	-	-	7,383
Advance from other funds	-	-	-	-	292,226
Deferred revenue:					
Other	-	-	-	636	2,205
Total liabilities	<u>-</u>	<u>24,539</u>	<u>-</u>	<u>636</u>	<u>448,231</u>
<b>Fund balances:</b>					
Nonspendable	-	-	847,658	-	847,658
Restricted	-	-	37,070	5,259	2,312,168
Unassigned	-	(22,039)	-	-	(22,039)
Total fund balances	<u>-</u>	<u>(22,039)</u>	<u>884,728</u>	<u>5,259</u>	<u>3,137,787</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 884,728</u>	<u>\$ 5,895</u>	<u>\$ 3,586,018</u>



						Special Revenue
	County Recorder's Records Management	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	Environmental Projects
Revenues:						
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	13,802	420,997	22,273	2,800	-
Charges for service	5,380	-	297,541	-	-	-
Use of money and property	115	37	47,604	-	2	-
Miscellaneous	-	-	9,849	-	-	-
Total revenues	<u>5,495</u>	<u>13,839</u>	<u>775,991</u>	<u>22,273</u>	<u>2,802</u>	<u>-</u>
Expenditures:						
Operating:						
Public safety and legal services	-	-	-	-	-	-
Physical health and social services	-	-	-	-	2,800	-
County environment and education	-	-	750,655	16,905	-	-
Governmental services to residents	5,483	-	-	-	-	-
Administration	-	-	9,669	-	-	-
Debt service	-	-	50,636	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	<u>5,483</u>	<u>-</u>	<u>810,960</u>	<u>16,905</u>	<u>2,800</u>	<u>-</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>12</u>	<u>13,839</u>	<u>(34,969)</u>	<u>5,368</u>	<u>2</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers in	-	-	262,740	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>262,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12	13,839	227,771	5,368	2	-
Fund Balances Beginning of Year	<u>42,967</u>	<u>8,914</u>	<u>1,300,806</u>	<u>6,357</u>	<u>495</u>	<u>10,000</u>
Fund Balances End of Year	<u>\$ 42,979</u>	<u>\$ 22,753</u>	<u>\$ 1,528,577</u>	<u>\$ 11,725</u>	<u>\$ 497</u>	<u>\$ 10,000</u>

Benton County  
Schedule 2 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2012

Funds		County Recorder's Electronic Transaction	County Sheriff's Forfeiture Fund	County Sheriff's Commissary Fund	County Sheriff's Donation Fund	County Conservation Donation Fund
Urbana TIF	Local Option Sales Tax					
\$ 16,532	\$ 763,777	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	647	3	68	6,930	-	5
-	-	-	-	-	40	-
<u>16,532</u>	<u>764,424</u>	<u>3</u>	<u>68</u>	<u>6,930</u>	<u>40</u>	<u>5</u>
-	-	-	10,769	-	-	-
-	-	-	-	-	-	-
8,266	25,304	-	-	-	-	-
-	-	-	-	-	-	-
-	53,160	-	-	-	-	-
-	8,250	-	-	-	-	-
-	25,205	-	-	-	-	-
<u>8,266</u>	<u>111,919</u>	<u>-</u>	<u>10,769</u>	<u>-</u>	<u>-</u>	<u>-</u>
8,266	652,505	3	(10,701)	6,930	40	5
-	-	-	-	-	-	-
<u>(8,266)</u>	<u>(424,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,400)</u>
<u>(8,266)</u>	<u>(424,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,400)</u>
-	228,189	3	(10,701)	6,930	40	(16,395)
-	395,039	564	27,711	5,533	-	16,395
<u>\$ -</u>	<u>\$ 623,228</u>	<u>\$ 567</u>	<u>\$ 17,010</u>	<u>\$ 12,463</u>	<u>\$ 40</u>	<u>\$ -</u>

Benton County  
Schedule 2 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2012

	Capital Projects Fund	Capital Projects Fund Conservation Land Acquisition Fund	Permanent Fund Carol Sue Donovan Conservation Fund	Debt Service	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Property and other County tax	\$ -	\$ -	\$ -	\$ 335,457	\$ 1,115,766
Intergovernmental	-	-	-	17,421	477,293
Charges for service	-	-	-	-	302,921
Use of money and property	-	-	18,919	-	74,330
Miscellaneous	-	-	-	-	9,889
Total revenues	<u>-</u>	<u>-</u>	<u>18,919</u>	<u>352,878</u>	<u>1,980,199</u>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	-	-	-	-	10,769
Physical health and social services	-	-	-	-	2,800
County environment and education	-	-	-	-	801,130
Governmental services to residents	-	-	-	-	5,483
Administration	-	-	-	-	62,829
Debt service	-	-	-	760,590	819,476
Capital projects	29,447	28,826	-	-	83,478
Total expenditures	<u>29,447</u>	<u>28,826</u>	<u>-</u>	<u>760,590</u>	<u>1,785,965</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(29,447)</u>	<u>(28,826)</u>	<u>18,919</u>	<u>(407,712)</u>	<u>194,234</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	256,859	23,082	-	268,086	810,767
Transfers out	-	-	-	-	(448,982)
Total other financing sources (uses)	<u>256,859</u>	<u>23,082</u>	<u>-</u>	<u>268,086</u>	<u>361,785</u>
Net change in fund balances	227,412	(5,744)	18,919	(139,626)	556,019
Fund Balances Beginning of Year	<u>(227,412)</u>	<u>(16,295)</u>	<u>865,809</u>	<u>144,885</u>	<u>2,581,768</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ (22,039)</u>	<u>\$ 884,728</u>	<u>\$ 5,259</u>	<u>\$ 3,137,787</u>

Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>County Auditor</b>				
Assets:				
Cash and pooled investments	\$ 497	\$ -	\$ -	\$ 497
Liabilities:				
Trusts payable	\$ 497	\$ -	\$ -	\$ 497
<b>County Recorder</b>				
Assets:				
Cash and pooled investments	\$ 17,540	\$ 408,735	\$ 408,585	\$ 17,690
Liabilities:				
Due to other funds	\$ -	\$ 184,067	\$ 184,067	\$ -
Due to other governments	17,540	224,668	224,518	17,690
Total liabilities	\$ 17,540	\$ 408,735	\$ 408,585	\$ 17,690
<b>County Recorder's Electronic Fee</b>				
Assets:				
Cash and pooled investments	\$ 1,179	\$ 6,803	\$ 7,422	\$ 560
Liabilities:				
Due to other governments	\$ 1,179	\$ 6,803	\$ 7,422	\$ 560
<b>County Sheriff</b>				
Assets:				
Cash and pooled investments	\$ -	\$ 561,317	\$ 555,882	\$ 5,435
Accounts receivable	4,549	-	4,549	-
Total assets	\$ 4,549	\$ 561,317	\$ 560,431	\$ 5,435
Liabilities:				
Due to other funds	\$ -	\$ 178,042	\$ 178,042	\$ -
Due to other governments	-	376,218	375,868	350
Trusts payable	4,549	7,057	6,521	5,085
Total liabilities	\$ 4,549	\$ 561,317	\$ 560,431	\$ 5,435

Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Agricultural Extension Education Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 2,896	\$ 204,381	\$ 204,188	\$ 3,089
Property tax receivable:				
Delinquent	377	373	377	373
Succeeding year	201,066	207,005	201,066	207,005
Total assets	<u>\$ 204,339</u>	<u>\$ 411,759</u>	<u>\$ 405,631</u>	<u>\$ 210,467</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 204,339</u>	<u>\$ 411,759</u>	<u>\$ 405,631</u>	<u>\$ 210,467</u>
<b>County Assessor Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 474,657	\$ 323,629	\$ 253,410	\$ 544,876
Property tax receivable:				
Delinquent	615	589	615	589
Succeeding year	318,099	318,011	318,099	318,011
Total assets	<u>\$ 793,371</u>	<u>\$ 642,229</u>	<u>\$ 572,124</u>	<u>\$ 863,476</u>
<b>Liabilities:</b>				
Accounts payable	\$ 209	\$ -	\$ 209	\$ -
Salaries and benefits payable	6,869	6,303	6,869	6,303
Due to other governments	786,293	635,926	565,046	857,173
Total liabilities	<u>\$ 793,371</u>	<u>\$ 642,229</u>	<u>\$ 572,124</u>	<u>\$ 863,476</u>
<b>Schools Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 246,550	\$ 17,457,554	\$ 17,438,126	\$ 265,978
Property tax receivable:				
Delinquent	32,716	32,064	32,716	32,064
Succeeding year	17,163,929	17,570,533	17,163,929	17,570,533
Total assets	<u>\$ 17,443,195</u>	<u>\$ 35,060,151</u>	<u>\$ 34,634,771</u>	<u>\$ 17,868,575</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 17,443,195</u>	<u>\$ 35,060,151</u>	<u>\$ 34,634,771</u>	<u>\$ 17,868,575</u>

Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Community Colleges Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 15,508	\$ 1,188,027	\$ 1,185,644	\$ 17,891
Property tax receivable:				
Delinquent	2,017	2,161	2,017	2,161
Succeeding year	<u>1,186,576</u>	<u>1,298,297</u>	<u>1,186,576</u>	<u>1,298,297</u>
Total assets	<u>\$ 1,204,101</u>	<u>\$ 2,488,485</u>	<u>\$ 2,374,237</u>	<u>\$ 1,318,349</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 1,204,101</u>	<u>\$ 2,488,485</u>	<u>\$ 2,374,237</u>	<u>\$ 1,318,349</u>
<b>Corporations Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 77,854	\$ 6,764,177	\$ 6,768,245	\$ 73,786
Property tax receivable:				
Delinquent	38,194	38,145	38,194	38,145
Succeeding year	<u>6,578,258</u>	<u>6,832,977</u>	<u>6,578,258</u>	<u>6,832,977</u>
Total assets	<u>\$ 6,694,306</u>	<u>\$ 13,635,299</u>	<u>\$ 13,384,697</u>	<u>\$ 6,944,908</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 6,694,306</u>	<u>\$ 13,635,299</u>	<u>\$ 13,384,697</u>	<u>\$ 6,944,908</u>
<b>Townships Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 5,005	\$ 351,028	\$ 349,871	\$ 6,162
Property tax receivable:				
Delinquent	653	781	653	781
Succeeding year	<u>347,335</u>	<u>371,380</u>	<u>347,335</u>	<u>371,380</u>
Total assets	<u>\$ 352,993</u>	<u>\$ 723,189</u>	<u>\$ 697,859</u>	<u>\$ 378,323</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 352,993</u>	<u>\$ 723,189</u>	<u>\$ 697,859</u>	<u>\$ 378,323</u>
<b>Auto License and Use Tax Fund</b>				
<b>Assets:</b>				
Cash and pooled investments	<u>\$ 603,024</u>	<u>\$ 7,594,481</u>	<u>\$ 7,607,446</u>	<u>\$ 590,059</u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 603,024</u>	<u>\$ 7,594,481</u>	<u>\$ 7,607,446</u>	<u>\$ 590,059</u>

Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Brucellosis and Tuberculosis Eradication Fund</b>				
Assets:				
Cash and pooled investments	\$ 56	\$ 3,796	\$ 2,032	\$ 1,820
Property tax receivable:				
Delinquent	7	7	7	7
Succeeding year	3,732	3,976	3,732	3,976
Total assets	<u>\$ 3,795</u>	<u>\$ 7,779</u>	<u>\$ 5,771</u>	<u>\$ 5,803</u>
Liabilities:				
Due to other governments	<u>\$ 3,795</u>	<u>\$ 7,779</u>	<u>\$ 5,771</u>	<u>\$ 5,803</u>
<b>Fire Districts Fund</b>				
Assets:				
Cash and pooled investments	\$ 1,534	\$ 97,110	\$ 97,188	\$ 1,456
Property tax receivable:				
Delinquent	6	31	6	31
Succeeding year	96,335	87,780	96,335	87,780
Total assets	<u>\$ 97,875</u>	<u>\$ 184,921</u>	<u>\$ 193,529</u>	<u>\$ 89,267</u>
Liabilities:				
Due to other governments	<u>\$ 97,875</u>	<u>\$ 184,921</u>	<u>\$ 193,529</u>	<u>\$ 89,267</u>
<b>E911 Surcharge Fund</b>				
Assets:				
Cash and pooled investments	\$ 231,471	\$ 159,345	\$ 328,192	\$ 62,624
Receivables:				
Accounts	21,948	22,374	21,948	22,374
Accrued interest	72	-	72	-
Due from other governments	11,533	10,827	11,533	10,827
Total assets	<u>\$ 265,024</u>	<u>\$ 192,546</u>	<u>\$ 361,745</u>	<u>\$ 95,825</u>
Liabilities:				
Accounts payable	\$ 1,329	\$ -	\$ 1,329	\$ -
Due to other governments	263,695	192,546	360,416	95,825
Total liabilities	<u>\$ 265,024</u>	<u>\$ 192,546</u>	<u>\$ 361,745</u>	<u>\$ 95,825</u>

Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<b>Joint Disaster Services Fund</b>				
Assets:				
Cash and pooled investments	\$ 61,259	\$ 131,703	\$ 138,022	\$ 54,940
Liabilities:				
Accounts payable	\$ 2,337	\$ -	\$ 2,337	\$ -
Salaries and benefits payable	2,143	2,388	2,143	2,388
Due to other governments	56,779	129,315	133,542	52,552
Total liabilities	<u>\$ 61,259</u>	<u>\$ 131,703</u>	<u>\$ 138,022</u>	<u>\$ 54,940</u>
<b>City Special Assessments Fund</b>				
Assets:				
Cash and pooled investments	\$ 6,790	\$ 69,366	\$ 63,537	\$ 12,619
Receivables:				
Special assessments	150,350	117,961	150,350	117,961
Interest on special assessments	5,347	3,693	5,347	3,693
Total assets	<u>\$ 162,487</u>	<u>\$ 191,020</u>	<u>\$ 219,234</u>	<u>\$ 134,273</u>
Liabilities:				
Due to other governments	<u>\$ 162,487</u>	<u>\$ 191,020</u>	<u>\$ 219,234</u>	<u>\$ 134,273</u>
<b>Treasurer's Trust Fund</b>				
Assets:				
Cash and pooled investments	<u>\$ 35,993</u>	<u>\$ 363,088</u>	<u>\$ 348,633</u>	<u>\$ 50,448</u>
Liabilities:				
Trusts payable	<u>\$ 35,993</u>	<u>\$ 363,088</u>	<u>\$ 348,633</u>	<u>\$ 50,448</u>
<b>Empowerment Board Fund</b>				
Assets:				
Cash and pooled investments	\$ 40,980	\$ 230,241	\$ 225,905	\$ 45,316
Accrued interest receivable	131	-	131	-
Due from other governments	118	-	118	-
Total assets	<u>\$ 41,229</u>	<u>\$ 230,241</u>	<u>\$ 226,154</u>	<u>\$ 45,316</u>
Liabilities:				
Accounts payable	\$ 19,475	\$ -	\$ 19,475	\$ -
Due to other governments	21,754	230,241	206,679	45,316
Total liabilities	<u>\$ 41,229</u>	<u>\$ 230,241</u>	<u>\$ 226,154</u>	<u>\$ 45,316</u>



Benton County  
Schedule 3 – Combining Statement of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Total Combined Funds</b>				
<b>Assets:</b>				
Cash and pooled investments	\$ 1,822,793	\$ 35,914,781	\$ 35,982,328	\$ 1,755,246
Receivables:				
Property tax:				
Delinquent	74,585	74,151	74,585	74,151
Succeeding year	25,895,330	26,689,959	25,895,330	26,689,959
Accounts	26,497	22,374	26,497	22,374
Accrued interest	203	-	203	-
Special assessments	150,350	117,961	150,350	117,961
Interest on special assessments	5,347	3,693	5,347	3,693
Due from other governments	11,651	10,827	11,651	10,827
Total assets	<u>\$ 27,986,756</u>	<u>\$ 62,833,746</u>	<u>\$ 62,146,291</u>	<u>\$ 28,674,211</u>
<b>Liabilities:</b>				
Accounts payable	\$ 23,350	\$ -	\$ 23,350	\$ -
Salaries and benefits payable	9,012	8,691	9,012	8,691
Due to other funds	-	362,109	362,109	-
Due to other governments	27,913,355	62,092,801	61,396,666	28,609,490
Trusts payable	41,039	370,145	355,154	56,030
Total liabilities	<u>\$ 27,986,756</u>	<u>\$ 62,833,746</u>	<u>\$ 62,146,291</u>	<u>\$ 28,674,211</u>

	Modified Accrual Basis			
	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other County tax	\$ 9,283,332	\$ 9,040,465	\$ 7,789,764	\$ 7,569,896
Interest and penalty on property tax	60,888	68,851	71,665	61,120
Intergovernmental	8,270,387	11,598,891	8,463,098	7,110,465
Licenses and permits	53,781	28,429	26,552	36,023
Charges for service	1,074,105	918,755	938,342	918,653
Use of money and property	242,838	212,614	167,459	226,983
Miscellaneous	480,803	344,701	1,249,374	435,863
<b>Total</b>	<b>\$ 19,466,134</b>	<b>\$ 22,212,706</b>	<b>\$ 18,706,254</b>	<b>\$ 16,359,003</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 3,378,100	\$ 2,776,780	\$ 2,944,413	\$ 3,404,479
Physical health and social services	727,188	826,041	870,817	680,759
Mental health	2,241,438	1,858,003	1,790,594	1,768,492
County environment and education	1,680,767	1,820,864	1,817,202	1,798,472
Roads and transportation	6,433,156	5,884,434	6,665,097	6,169,023
Governmental services to residents	586,446	555,980	587,292	585,539
Administration	1,365,671	1,178,054	1,307,990	1,491,420
Non-program	134,980	-	-	-
Debt service	819,476	66,230	-	-
Capital projects	269,161	7,115,336	1,516,791	1,294,315
<b>Total</b>	<b>\$ 17,636,383</b>	<b>\$ 22,081,722</b>	<b>\$ 17,500,196</b>	<b>\$ 17,192,499</b>

**Benton County**

Schedule 4 – Schedule of Revenues by Source and Expenditure by Function – All Governmental Funds  
For the Last Ten Years

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 6,525,469	\$ 6,256,778	\$ 5,758,137	\$ 5,267,750	\$ 5,120,351	\$ 5,102,144
58,381	55,253	51,873	52,646	59,856	29,079
6,628,717	5,782,973	5,826,833	5,858,586	5,538,004	5,927,953
21,153	22,973	23,073	22,670	24,704	19,744
804,952	818,345	772,606	796,898	751,130	738,538
351,193	355,305	296,817	219,435	253,989	293,096
371,763	533,102	470,000	402,828	425,577	416,093
<u>\$ 14,761,628</u>	<u>\$ 13,824,729</u>	<u>\$ 13,199,339</u>	<u>\$ 12,620,813</u>	<u>\$ 12,173,611</u>	<u>\$ 12,526,647</u>
\$ 2,688,409	\$ 2,544,185	\$ 2,514,156	\$ 2,164,766	\$ 2,319,768	\$ 2,010,361
647,780	665,196	659,292	545,343	587,215	612,349
1,828,868	1,696,472	1,625,894	1,563,761	1,478,349	1,546,983
1,448,612	1,294,735	1,178,235	1,062,444	1,206,933	1,388,615
6,257,448	5,533,679	5,169,822	5,482,892	4,730,145	4,977,374
498,175	459,681	722,844	438,177	454,203	400,895
1,454,672	1,396,253	1,228,777	1,132,024	1,215,945	1,207,992
-	-	-	-	-	-
-	-	169,570	260,297	232,462	220,474
824,059	126,239	433,254	1,142,180	349,294	293,039
<u>\$ 15,648,023</u>	<u>\$ 13,716,440</u>	<u>\$ 13,701,844</u>	<u>\$ 13,791,884</u>	<u>\$ 12,574,314</u>	<u>\$ 12,658,082</u>



Information Provided to Comply with *Government Auditing Standards* and OMB Circular A-133  
June 30, 2012

## Benton County



**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 Benton County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, (County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-B-12, and II-C-12 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12, II-E-12, II-F-12, and II-G-12 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. 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.

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

This report is intended solely for the information and use of management, officials, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa  
March 8, 2013



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

To the Officials of Benton County:

**Compliance**

We have audited the compliance of Benton County, Iowa, (County) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2012. The County's major federal program is identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

## Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, officials, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa  
March 8, 2013



Benton County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Pass-Through Program From Iowa Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 17,269
U.S. Department of Transportation Pass-Through Program From East Central Iowa Council of Governments Formula Grants for Other Than Urbanized Areas	20.509		48,464
U.S. Department of Health and Human Services Pass-Through Program From Iowa Department of Human Services			
Public Health Emergency Preparedness	93.069	5881BT06	4,863
Public Health Emergency Preparedness	93.069	5882BT06	21,415
Public Health Emergency Preparedness	93.069	5881BT306	682
Public Health Emergency Preparedness	93.069	5881OB23	4,725
			<u>31,685</u>
Refugee and Entrant Assistance-State Administered Programs	93.566		28
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,842
Foster Care - Title IV-E	93.658		6,304
Adoption Assistance	93.659		1,830
Social Services Block Grant	93.667		5,500
Social Services Block Grant	93.667		74,453
			<u>79,953</u>
Children's Health Insurance Program	93.767		60
Medical Assistance Program	93.778		16,208
Total U.S. Department of Health and Human Services			<u>139,910</u>

Benton County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Pass-Through Program From			
United Way of America			
Emergency Food and Shelter National Board Program	97.024	20-2856-00	\$ 2,800
Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763-DR-IA	387,780
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4016-DR-IA	79,210
			<u>466,990</u>
Emergency Operations Centers	97.052	2010-EO-MX-0007	<u>52,845</u>
Total U.S. Department of Homeland Security			<u>522,635</u>
Total			<u>\$ 728,278</u>

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major program:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major program:

**CFDA Number**

**Name of Federal Program or Cluster**

97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
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Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee	No
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**Part II: Findings Related to the Basic Financial Statements:**

**Material Weaknesses**

**II-A-12 Preparation of Financial Statements**

**Criteria** – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

**Condition** – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Part II: Findings Related to the Basic Financial Statements: (continued)**

**Cause** – We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

**Effect** – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

**Recommendation** – We recommend that County officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

**Response** – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

**II-B-12 Treasurer’s Office – Segregation of Duties**

**Criteria** – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – Several persons in the Treasurer’s office take turns receipting funds, making deposits, and reconciling bank statements. This situation presents a lack of segregation of duties.

**Cause** – With a limited number of office employees, segregation of duties is difficult.

**Effect** – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – The Treasurer has done a good job enhancing controls through supervision and review of work. We recommend that the Treasurer continue to look for opportunities to increase controls as staff changes.

**Response** – At this time, the Treasurer is doing the daily reconciling of the office with the state motor vehicle system and the County tax collection system. In addition, a mail log has been implemented, with the Treasurer verifying that the amounts are being properly distributed. The Treasurer also performs the monthly bank statement reconciliations.

**II-C-12 Material Audit Adjustment**

**Criteria** – A properly designed system of internal control over financial reporting allows for the preparation of financial statements which are free from material misstatement and presented in conformity with generally accepted accounting principles (GAAP).

**Condition** – As a result of our audit procedures, we were required to propose a material adjustment to the County’s financial statements in the area of accounts payable in the Mental Health Fund.

**Part II: Findings Related to the Basic Financial Statements: (continued)**

**Cause** – The cause of the adjustment appears to be due to lack of thorough review of accounting records when preparing the accounts payable accrual.

**Effect** – If the proposed adjustment had not been made, the financial statements would have been materially misstated.

**Recommendation** – We recommend that those responsible for preparation of the accounts payable accrual review accounting records thoroughly in order to obtain all necessary adjustments.

**Response** – Every effort is made to review all records for the accounts payable accrual. Benton County was in the midst of implementing a new financial program. Due to transitioning financial records and learning the new system, it was difficult to completely review all records in a timely manner. The accrual accounting part of the system now appears to be fully functional, which should allow for better review in the future.

**Significant Deficiencies**

**II-D-12 Sheriff’s Office – Segregation of Duties**

**Criteria** – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – In the Sheriff’s Office there are generally only one or two individuals in the office with control over the receipts and disbursements areas for which no compensating controls exist.

**Cause** – With a limited number of office employees, segregation of duties is difficult.

**Effect** – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – County officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

**Response** – There are currently one full-time and one part-time person employed in the office. Funds were made available in the current year to hire additional staff. We are currently reviewing applications to hire a full-time person. If all goes as planned, there will be another person in that area in the next 30 days. Currently when both persons are working, one person opens the mail and the other makes the deposit.

**II-E-12 Recorder’s Office – Segregation of Duties**

**Criteria** – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Part II: Findings Related to the Basic Financial Statements: (continued)**

**Condition** – In the Recorder's Office there are generally only one or two individuals in the office with control over the receipts and disbursements areas for which no compensating controls exist.

**Cause** – With a limited number of office employees, segregation of duties is difficult.

**Effect** – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – County officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

**Response** – We understand and are aware of this. We have two employees in our office, and duties are split between daily balancing and preparing bank deposits.

**II-F-12 Landfill Gate Fees – Segregation of Duties**

**Criteria** – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – At the Landfill there is generally only one individual with control over the receipts area for which no compensating controls exist.

**Cause** – With a limited number of office employees, segregation of duties is difficult.

**Effect** – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – County officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

**Response** – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

**II-G-12 Conservation Camping Fees – Segregation of Duties**

**Criteria** – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – The collection of camping fees is generally performed by the same park ranger that has performed the camper counts. In addition, the reconciliation process is performed by the Conservation Director, who also has access to the monies collected.

**Cause** – With a limited number of employees, segregation of duties is difficult.

**Part II: Findings Related to the Basic Financial Statements: (continued)**

**Effect** – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – We understand that the County has recently made improvements in the collection process. County officials should continue to review the operating procedures of collecting camper fees to obtain the maximum internal control possible under the circumstances. One such control would be to segregate the headcount function from the fee collection function. Another such control would be to have the person performing the reconciliation removed from handling the collections.

**Response** – The rangers will continue to collect all of the camping fees onsite but not open them. However, we understand the issue with this and will continue to review our procedures and segregate this duty whenever fiscally feasible. The director will continue to utilize a second person for opening and counting, and a third person for delivering counted camping fees whenever possible, thus segregating the duties further.

**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted by function.
- III-B-12 **Questionable Expenditures** – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- III-C-12 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-12 **Business Transactions** – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kipp Schoettner, owner of John’s Tire Service, spouse of Melinda Schoettner, Deputy Treasurer	Auto services	\$ 6,939
Jeff Winsor, Secondary Roads Department, owner of Winsor Concrete Designs	Equipment rental	730
Terry Ehlinger, owner of Ehlinger’s Vinton Express, spouse of Bonnie Ehlinger, Sheriff’s Office	Supplies and fuel	608
Laverne Halstead, owner of Halstead Auto, spouse of Mary Halstead, Transportation Director for Benton County	Auto services	300



**Part IV: Other Findings Related to Required Statutory Reporting: (continued)**

Name, Title, and Business Connection	Transaction Description	Amount
Marc Phelps, owner of Nature Tracks Taxidermy, spouse of Karen Phelps, Conservation Department	Taxidermy services	\$ 30

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Jeff Winsor, Terry Ehlinger, Laverne Halstead, and Marc Phelps do not appear to represent conflicts of interest since the total of the transactions with each individual were less than \$1,500 during the fiscal year. The transaction with Kipp Schoettner does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 331.342 of the Code of Iowa.

- III-E-12 **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.
  
- III-F-12 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
  
- III-G-12 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
  
- III-H-12 **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).
  
- III-I-12 **Solid Waste Tonnage Fees Retained** – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
  
- III-J-12 **Financial Assurance** – The County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code.
  
- III-K-12 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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