

**HOWARD COUNTY**  
**Cresco, Iowa**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2011

**HOWARD COUNTY, IOWA**  
**Cresco, Iowa**

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-10
<b>BASIC FINANCIAL STATEMENTS:</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets .....	A ..... 11
Statement of Activities .....	B ..... 12
Governmental Fund Financial Statements:	
Balance Sheet .....	C ..... 13-14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	D ..... 15
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E..... 16-17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F..... 18
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	G ..... 19
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	H ..... 20
Statement of Cash Flows .....	I..... 21
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	J..... 22
Notes to Financial Statements.....	23-43
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	44
Budget to GAAP Reconciliation .....	45
Notes to Required Supplementary Information – Budgetary Reporting .....	46
Schedule of Funding Progress for the Retiree Health Plan.....	47

## **TABLE OF CONTENTS**

---

<b>OTHER SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet .....	1 .....	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	2 .....	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities.....	3 .....	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4 .....	54-55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5 .....	56-57
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....</b>		58-59
<b>SCHEDULE OF FINDINGS .....</b>		60-64

**HOWARD COUNTY  
Cresco, Iowa**

**OFFICIALS**

(Before January 2011)

Don Burnikel.....	Board of Supervisors .....	January 2011
Janet McGovern .....	Board of Supervisors .....	January 2011
Mick Gamez.....	Board of Supervisors .....	January 2013
Julie Chapman.....	County Auditor.....	January 2013
Warren Steffen .....	County Treasurer .....	January 2011
Cherri Caffrey .....	County Recorder .....	January 2011
Morris Miner.....	County Sheriff.....	January 2013
Joseph Haskovec .....	County Attorney.....	January 2011
Thomas Mullen .....	County Assessor.....	Appointed

(After January 2011)

Mick Gamez.....	Board of Supervisors .....	January 2013
Don Burnikel.....	Board of Supervisors .....	January 2015
Janet McGovern .....	Board of Supervisors .....	January 2015
Julie Chapman.....	County Auditor.....	January 2013
Warren Steffen .....	County Treasurer .....	January 2015
Cherri Caffrey .....	County Recorder .....	January 2015
Morris Miner.....	County Sheriff.....	January 2013
Joseph Haskovec .....	County Attorney.....	January 2015
Thomas Mullen .....	County Assessor.....	Appointed



## Independent Auditors' Report

---

To the Officials of Howard County  
Cresco, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Howard County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012 on our consideration of Howard County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 10 and 44 – 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 19, 2012

*Gardiner Thomsen, P.C.*

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Management of Howard County provides this Management's Discussion and Analysis of Howard County's annual financial statements. This narrative overview and analysis of the financial activities of Howard County is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased approximately 9% or approximately \$1,062,233 from fiscal 2010 to fiscal 2011. Property taxes increased approximately \$337,338, Operating & Capital Grants, Contributions & Restricted Interest increased approximately \$374,322 and Charges for Service decreased approximately \$1,492,793.
- Program expenses of the County's governmental activities were 5% or approximately \$490,897 more in fiscal 2011 than in fiscal 2010. Roads and Transportation expense increased approximately \$399,920 and mental health expense increased \$217,354.
- The County's net assets increased 5.7%; approximately \$782,910 from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Howard 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 the County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

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

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

## **USING THIS ANNUAL REPORT (Continued)**

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

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

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, 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, government services to residents, administration, interest on long-term debt and non-program activities. Property taxes and state and federal grants finance most of these activities.

### ***Fund Financial Statements***

The County has three kinds of funds:

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

***Fund Financial Statements (Continued)***

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health 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 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 trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor, to name a few.

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The County's combined net assets increased from \$13,671,438 to \$14,454,348. The analysis below focuses on net assets and changes in net assets of governmental activities.

**Net Assets of Governmental Activities**  
(Expressed in Thousands)

	June 30	
	2011	2010
Current and Other Assets	\$11,648	\$8,067
Capital Assets	14,067	11,360
Total Assets	25,715	19,427
Long-Term Debt Outstanding	6,642	1,263
Other Liabilities	4,619	4,493
Total Liabilities	11,261	5,756
Net Assets:		
Invested in Capital Assets, Net of related debt	10,694	10,451
Restricted	2,855	2,313
Unrestricted	905	907
Total Net Assets	\$14,454	\$13,671

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Net assets of the County's governmental activities increased by approximately 5.7%, (from \$13.7 to \$14.4 Million) the largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$906,958 at June 30, 2010 to approximately \$905,136 at the end of this year, a decrease of less than 1%.

**Changes in Net Assets of Governmental Activities**

(Expressed in Thousands)

	Year Ended June 30,	
	2011	2010
Program Revenues:		
Charges for service and sales	\$813	\$786
Operating grants and contributions	4,193	3,819
Capital grants and contributions	295	1,788
General Revenues:		
Property taxes	3,899	3,561
Penalty and Interest on Property Tax	53	38
State Tax Credits	170	185
Local Option Sales Tax	523	477
Tax Increment Financing	93	554
Unrestricted investments earnings	39	30
Other general revenues	185	87
Total revenues	<u>10,263</u>	<u>11,325</u>
Program Expenses:		
Public safety and legal services	1,186	1,209
Physical health and social services	421	424
Mental health	1,306	1,089
County environment and education	919	1,222
Roads and transportation	4,183	3,783
Government services to residents	326	319
Administration or general government	943	845
Non-Program	68	63
Interest on long-term debt	128	35
Total expenses	<u>9,480</u>	<u>8,989</u>
Increase in net assets	783	2,336
Net assets beginning of year	<u>13,671</u>	<u>11,335</u>
Net assets end of year	<u>\$14,454</u>	<u>\$13,671</u>

The County's revenue decreased approximately 9% or \$1,062,233. The total cost of programs and services increased 5%, or \$490,897, with no new programs added this year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Howard County completed the year, its governmental funds reported a combined fund balance of \$6.7 million, which is higher than last year's total by \$3,339,175. The following are the major reasons for the changes in fund balances from the prior year.

The combined ending fund balance of the General fund was higher due to the implementation of GASB 54.

The balance in the Mental Health Funds was slightly lower than 2010 as the County continues to look for ways to effectively manage the cost of mental health services.

The Rural Services fund revenue was slightly higher and expenditures were slightly lower than 2010, resulting in a slight increase in ending fund balance of \$66,605 to \$557,375.

The Secondary Road fund revenues were approximately \$86,311 lower in 2011 and expenditures were approximately \$225,732 lower. Ending fund balance decreased \$148,095 to \$820,498.

The Wind Turbine Capital Project Fund was established during this fiscal year to account for the roadway construction projects financed with wind turbine tax increment debt. The County issued \$5,100,000 General Obligation Bonds during the year to finance the projects.

## **BUDGETARY HIGHLIGHTS**

The budget was amended on January 3, 2011 with an increase to revenues due to Bond Revenue. There was an increase in expenditures due to Capital Projects, Recycling, Vehicle Purchases and legal counsel.

The May 3, 2011 budget amendment showed increases revenue due to Courthouse repairs and TIF projects. Increase in expenditures due to Courthouse repairs and TIF projects and various department expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2011, the County had \$19,432,030 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,232,214 or 19% over last year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Capital Assets at Year End of Governmental Activities**  
(Expressed in Thousands)

	Year Ended June 30,	
	2011	2010
Land	\$1,336	\$1,336
Buildings and Improvements	2,500	2,468
Equipment	4,674	4,113
Infrastructure	7,762	5,996
Construction in Progress	3,160	2,286
Total	<u>\$19,432</u>	<u>\$16,199</u>

This year's major additions include (expressed in thousands)

Infrastructure – Construction in Progress	\$2,042
Infrastructure	1,766
Secondary Roads Equipment	720
Conservation Infrastructure – Construction in Progress	303
	<u>\$4,831</u>

The County had depreciation expense of \$752,990 for the year ended June 30, 2011 and total accumulated depreciation as of June 30, 2011 of \$5,364,556.

**Debt Administration**

At year end, the County had \$6,554,933 in debt compared to \$1,263,490 in notes and other debt last year as shown below.

**Outstanding Debt at Year-End of Governmental Activities**

	(Expressed in Thousands)	
	2011	2010
Bonds Payable	\$5,100	\$0
Notes Payable	1,118	951
Compensated Absences	337	312
	<u>\$6,555</u>	<u>\$1,263</u>

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 is significantly below this \$36 million limit.

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 BUDGETS AND RATES**

The County begins 2012 fiscal year with a balance of 49% when compared to expected expenditures. This balance indicates departments were utilizing more of their budgets, it also indicates that the board had bonded for infrastructure projects with the secondary road department, conservation department and Courthouse Maintenance. Expenses remained fairly close to FY11 for FY12, as the board did not allow an increase in expenses, with the exception of wages and benefits and only specific projects that each department cleared with the board. The board will be amending their FY12 budget to account for the infrastructure bonding that was done in FY11.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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, 137 N Elm St., Cresco, IA 52136 or go to our website at [www.co.howard.ia.us](http://www.co.howard.ia.us).

**HOWARD COUNTY**  
Cresco, Iowa

**STATEMENT OF NET ASSETS**  
June 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$6,601,779
Receivables:	
Property Tax:	
Delinquent	4,255
Succeeding Year	4,019,028
Interest & Penalty On Property Tax	58
Accounts	83,088
Accrued Interest	3,112
Due From Other Governments	482,043
Notes Receivable	127,535
Inventories	255,603
Prepaid Insurance	71,198
Capital Assets (Net of Accumulated Depreciation/Amortization)	14,067,474
<b>TOTAL ASSETS</b>	<b>25,715,173</b>
<b>LIABILITIES</b>	
Accounts Payable	344,942
Accrued Interest Payable	12,428
Salaries and Benefits Payable	47,632
Due to Other Governments	194,817
Deferred Revenue:	
Succeeding Year Property Tax	4,019,028
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Notes	101,727
Compensated Absences	336,562
Portion Due or Payable After One Year:	
General Obligation Notes	1,016,644
General Obligation Bonds	5,100,000
Net OPEB Liability	87,045
<b>TOTAL LIABILITIES</b>	<b>11,260,825</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	10,694,104
Restricted For:	
Supplemental Levy Purposes	314,410
Mental Health Purposes	319,361
Rural Services Purposes	557,749
Secondary Roads Purposes	675,372
Debt Service	4,067
Other Purposes	984,149
Unrestricted	905,136
<b>TOTAL NET ASSETS</b>	<b>\$14,454,348</b>

See Notes To Financial Statements

**HOWARD COUNTY  
Cresco, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$1,186,101	\$216,678	\$3,246	\$0	\$(966,177)
Physical Health & Social Services	421,419	6,335	136,230	0	(278,854)
Mental Health	1,306,180	142,954	674,241	0	(488,985)
County Environment & Education	918,620	171,781	987,682	0	240,843
Roads & Transportation	4,182,919	40,074	2,391,556	294,989	(1,456,300)
Governmental Services to Residents	325,687	78,449	0	0	(247,238)
Administration	943,363	87,829	0	0	(855,534)
Non-Program	68,044	69,080	0	0	1,036
Interest on Long-Term Debt	127,747	0	0	0	(127,747)
<b>Total</b>	<b>\$9,480,080</b>	<b>\$813,180</b>	<b>\$4,192,955</b>	<b>\$294,989</b>	<b>(4,178,956)</b>

**GENERAL REVENUES:**

Property & Other County Tax Levied For:	
General Purposes	3,807,907
Debt Service	90,613
Penalty & Interest on Property Tax	52,610
State Tax Credits	169,823
Local Option Sales Tax	523,426
Unrestricted Investment Earnings	38,696
Miscellaneous	185,881
Tax Increment Financing Revenue	92,910
<b>TOTAL GENERAL REVENUES</b>	<b>4,961,866</b>

**CHANGE IN NET ASSETS** 782,910

**NET ASSETS, BEGINNING OF YEAR, AS RESTATED** 13,671,438

**NET ASSETS, END OF YEAR** \$14,454,348

See Notes To Financial Statements

**HOWARD COUNTY**  
**Cresco, Iowa**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash & Pooled Investments	\$1,676,025	\$500,282	\$502,812
Receivables:			
Property Tax:			
Delinquent	3,308	448	374
Succeeding Year	2,520,364	341,549	1,060,655
Interest & Penalty on Property Tax	58	0	0
Accounts	54,194	22,857	0
Accrued Interest	2,870	0	0
Due From Other Governments	201,054	9,297	80,934
Note Receivable	107,197	0	0
Inventories	0	0	0
Prepaid Insurance	71,198	0	0
<b>TOTAL ASSETS</b>	<b>\$4,636,268</b>	<b>\$874,433</b>	<b>\$1,644,775</b>
<b>LIABILITIES &amp; FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$66,914	\$18,706	\$23,203
Salaries & Benefits Payable	20,274	0	3,168
Due To Other Governments	0	194,817	0
Deferred Revenue:			
Succeeding Year Property Tax	2,520,364	341,549	1,060,655
Other	43,168	440	374
<b>Total Liabilities</b>	<b>2,650,720</b>	<b>555,512</b>	<b>1,087,400</b>
Fund Balances:			
Nonspendable::			
Inventories	0	0	0
Prepaid Insurance	71,198	0	0
Note Receivable	107,197	0	0
Restricted For:			
Supplemental Levy Purposes	313,375	0	0
Mental Health Purposes	0	318,921	0
Rural Services Purposes	0	0	557,375
Secondary Roads Purposes	0	0	0
Drainage Purposes	0	0	0
Conservation Land Acquisition Purposes	24,425	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	648,058	0	0
Unassigned	821,295	0	0
<b>Total Fund Balances</b>	<b>1,985,548</b>	<b>318,921</b>	<b>557,375</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$4,636,268</b>	<b>\$874,433</b>	<b>\$1,644,775</b>

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Wind Turbine Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$595,037	\$2,500,779	\$585,343	\$6,360,278
0	0	125	4,255
0	0	96,460	4,019,028
0	0	0	58
5,904	0	133	83,088
2	173	8	3,053
186,733	0	4,025	482,043
20,338	0	0	127,535
255,603	0	0	255,603
0	0	0	71,198
<u>\$1,063,617</u>	<u>\$2,500,952</u>	<u>\$686,094</u>	<u>\$11,406,139</u>
\$198,591	\$23,780	\$0	\$331,194
24,190	0	0	47,632
0	0	0	194,817
0	0	96,460	4,019,028
20,338	0	4,147	68,467
<u>243,119</u>	<u>23,780</u>	<u>100,607</u>	<u>4,661,138</u>
255,603	0	0	255,603
0	0	0	71,198
0	0	0	107,197
0	0	0	313,375
0	0	0	318,921
0	0	0	557,375
564,895	0	0	564,895
0	0	20,962	20,962
0	0	0	24,425
0	0	3,945	3,945
0	2,477,172	345,099	2,822,271
0	0	215,481	215,481
0	0	0	648,058
0	0	0	821,295
<u>820,498</u>	<u>2,477,172</u>	<u>585,487</u>	<u>6,745,001</u>
<u>\$1,063,617</u>	<u>\$2,500,952</u>	<u>\$686,094</u>	<u>\$11,406,139</u>

HOWARD COUNTY  
Cresco, Iowa

RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2011

<b>Total Governmental Fund Balances (Pages 13-14)</b>	<b>\$6,745,001</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$19,432,030 and the accumulated depreciation/amortization is \$5,364,556.	14,067,474
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	68,467
The Internal Service Fund is used by management to charge the costs of funding the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	227,812
Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(6,654,406)</u>
<b>Net Assets of Governmental Activities (Page 11)</b>	<b><u>\$14,454,348</u></b>

See Notes to Financial Statements

**HOWARD COUNTY**  
**Cresco, Iowa**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$2,452,677	\$345,149	\$1,009,037
Local Option Sales Tax	0	0	523,426
Interest & Penalty on Property Tax	52,610	0	0
Intergovernmental	1,324,694	689,436	44,614
Licenses & Permits	4,250	0	0
Charges for Services	290,074	142,953	0
Use of Money & Property	113,909	0	0
Miscellaneous	108,827	10,106	5,879
Total Revenues	<u>4,347,041</u>	<u>1,187,644</u>	<u>1,582,956</u>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	945,473	0	178,990
Physical Health & Social Services	417,224	0	0
Mental Health	0	1,299,362	0
County Environment & Education	925,307	0	272,924
Roads & Transportation	0	0	173,922
Governmental Services to Residents	303,582	0	2,460
Administration	881,884	0	0
Non-Program	465	0	0
Debt Service	28,986	0	0
Capital Projects	0	0	0
Total Expenditures	<u>3,502,921</u>	<u>1,299,362</u>	<u>628,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>844,120</u>	<u>(111,718)</u>	<u>954,660</u>
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(73,656)	0	(888,055)
General Obligation Bonds Issued	0	0	0
General Obligation Capital Loan Notes Issued	0	0	0
Total Other Financing Sources (Uses)	<u>(73,656)</u>	<u>0</u>	<u>(888,055)</u>
Net Change in Fund Balances	770,464	(111,718)	66,605
Fund Balances -- Beginning of Year, As Restated	1,253,383	430,639	490,770
Decrease in Reserve For Notes Receivable	(38,299)	0	0
Decrease in Reserve For Inventories	0	0	0
Fund Balances -- End of Year	<u>\$1,985,548</u>	<u>\$318,921</u>	<u>\$557,375</u>

See Notes To Financial Statements

Special Revenue			
Secondary Roads	Wind Turbine Capital Projects	Nonmajor	Total
\$0	\$0	\$197,445	\$4,004,308
0	0	0	523,426
0	0	0	52,610
2,400,448	0	26,793	4,485,985
2,205	0	0	6,455
9	0	1,993	435,029
36	16,730	129	130,804
78,915	0	29,016	232,743
<u>2,481,613</u>	<u>16,730</u>	<u>255,376</u>	<u>9,871,360</u>
0	0	0	1,124,463
0	0	20,482	437,706
0	0	0	1,299,362
0	0	56,230	1,254,461
3,566,890	0	0	3,740,812
0	0	319	306,361
0	0	50,325	932,209
0	0	3,316	3,781
0	34,244	144,731	207,961
15,593	2,554,997	7,244	2,577,834
<u>3,582,483</u>	<u>2,589,241</u>	<u>282,647</u>	<u>11,884,950</u>
(1,100,870)	(2,572,511)	(27,271)	(2,013,590)
961,711	0	50,317	1,012,028
0	(50,317)	0	(1,012,028)
0	5,100,000	0	5,100,000
0	0	300,000	300,000
<u>961,711</u>	<u>5,049,683</u>	<u>350,317</u>	<u>5,400,000</u>
(139,159)	2,477,172	323,046	3,386,410
968,593	0	262,441	3,405,826
0	0	0	(38,299)
<u>(8,936)</u>	<u>0</u>	<u>0</u>	<u>(8,936)</u>
<u>\$820,498</u>	<u>\$2,477,172</u>	<u>\$585,487</u>	<u>\$6,745,001</u>

**HOWARD COUNTY  
Cresco, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds (Page – 17)** **\$3,348,111**

*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/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$3,140,280	
Capital Assets Contributed by the Iowa Department of Transportation	294,989	
Depreciation/Amortization Expense	<u>(752,990)</u>	2,682,279

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 Taxes	1,082	
Other	<u>63,833</u>	64,915

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

Issued	(5,400,000)	
Repaid	<u>89,805</u>	(5,310,195)

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 governmental funds as follows:

Compensated Absences	(24,397)	
Other Postemployment Benefits	(43,896)	
Interest on Long-Term Debt	<u>15,949</u>	(52,344)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. (8,936)

The Internal Service Fund is used by management 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. 59,080

**Change in Net Assets of Governmental Funds (Page – 12)** **\$782,910**

See Notes to Financial Statements

**HOWARD COUNTY**  
**Cresco, Iowa**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2011

	<u>Internal Service Employee Group Health</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$241,501
Receivables:	
Accrued Interest	<u>59</u>
<b>TOTAL ASSETS</b>	<u><u>\$241,560</u></u>
<b>LIABILITIES</b>	
Accounts Payable	<u>\$13,748</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$227,812</u></u>

See Notes To Financial Statements

HOWARD COUNTY  
Cresco, Iowa

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2011

	<u>Internal Service Employee Group Health</u>
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$741,803
Reimbursements From Employees	85,275
Insurance Reimbursements	6,753
Total Operating Revenues	<u>833,831</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	59,809
Insurance Premiums	706,227
Administrative Fees	6,307
Miscellaneous	3,353
Total Operating Expenses	<u>775,696</u>
Operating Income	<u>58,135</u>
<b>NON-OPERATING REVENUES:</b>	
Interest on Investments	<u>945</u>
Net Income	59,080
Net Assets Beginning of Year	<u>168,732</u>
Net Assets End of Year	<u>\$227,812</u>

See Notes To Financial Statements

**HOWARD COUNTY  
Cresco, Iowa**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2011**

	<u>Internal Service Employee Group Health</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$741,803
Cash Received From Employees & Others	92,028
Cash Paid to Suppliers for Services	<u>(763,351)</u>
Net Cash Provided by Operating Activities	<u>70,480</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>967</u>
Net Increase in Cash & Cash Equivalents	71,447
Cash & Cash Equivalents at Beginning of Year	<u>170,054</u>
Cash & Cash Equivalents at End of Year	<u><u>\$241,501</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income	\$58,135
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	<u>12,345</u>
Net Cash Provided by Operating Activities	<u><u>\$70,480</u></u>

See Notes To Financial Statements

**HOWARD COUNTY**  
**Cresco, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2011

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$858,150
Other County Officials	11,493
Receivables:	
Property Tax:	
Delinquent	340
Succeeding Year	9,697,015
Accounts	2,104
Accrued Interest	115
Assessments	30,447
<b>TOTAL ASSETS</b>	<u>10,599,664</u>

**LIABILITIES**

Accounts Payable	3,670
Salaries & Benefits Payable	1,981
Due To Other Governments	10,556,630
Trusts Payable	10,705
Compensated Absences	26,678
<b>TOTAL LIABILITIES</b>	<u>10,599,664</u>

<b>NET ASSETS</b>	<u><u>\$0</u></u>
-------------------	-------------------

See Notes To Financial Statements

**HOWARD COUNTY**  
**Cresco, Iowa**

**Notes to Financial Statements**

---

***Note 1: Summary of Significant Accounting Policies***

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

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

**A. REPORTING ENTITY**

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

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

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

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

## **Notes to Financial Statements (Continued)**

### **Note 1: Summary of Significant Accounting Policies (Continued)**

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

#### **B. BASIS OF PRESENTATION**

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are 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 other nonmajor governmental funds.

## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

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 that are not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Wind Turbine Capital Project Fund is used to account for the roadway construction projects financed with wind turbine tax increment financing debt.

Additionally, the County reports the following funds:

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.

### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

## **Notes to Financial Statements (Continued)**

---

### ***Note 1: Summary of Significant Accounting Policies (Continued)***

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, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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 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.

## Notes to Financial Statements (Continued)

### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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.

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, 2011, 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.

## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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

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

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>
Buildings	40-65
Building Improvements	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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

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

## Notes to Financial Statements (Continued)

### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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 property tax receivable and other receivables not collected within sixty days after year-end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary 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, 2010. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and the 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.

## **Notes to Financial Statements (Continued)**

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)**

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.

Net Assets – The net assets of the Internal Service Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### **E. BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded amounts budgeted in the Roads and Transportation function.

### **Note 2: Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,000, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

## Notes to Financial Statements (Continued)

### Note 3: Inter-fund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Basic	\$73,656
Secondary Roads	Rural Service	888,055
Debt Service	Capital Projects:	
	Wind Turbine	50,317
Total		<u>\$1,012,028</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: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$1,336,210	\$0	\$0	\$1,336,210
Construction in Progress	2,286,135	2,344,866	1,470,582	3,160,419
Total Capital Assets, Not Being Depreciated	3,622,345	2,344,866	1,470,582	4,496,629
Capital Assets, Being Depreciated:				
Buildings	2,109,700	32,350	0	2,142,050
Improvements Other Than Buildings	358,536	0	0	358,536
Machinery & Equipment	4,112,763	806,795	246,786	4,672,772
Infrastructure	5,996,472	1,765,571	0	7,762,043
Total Capital Assets, Being Depreciated	12,577,471	2,604,716	246,786	14,935,401
Less Accumulated Depreciation For:				
Buildings	822,652	31,873	0	854,525
Improvements Other Than Buildings	89,105	23,082	0	112,187
Machinery & Equipment	2,570,241	269,238	228,595	2,610,884
Infrastructure	1,358,163	428,797	0	1,786,960
Total Accumulated Depreciation	4,840,161	752,990	228,595	5,364,556
Total Capital Assets Being Depreciated, Net	7,737,310	1,851,726	18,191	9,570,845
Governmental Activities Capital Assets, Net	\$11,359,655	\$4,196,592	\$1,488,773	\$14,067,474

## Notes to Financial Statements (Continued)

---

### Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:		
Public Safety & Legal Services		\$49,240
Physical Health and Social Services		4,360
Mental Health		6,458
County Environment & Education		52,842
Roads & Transportation		611,410
Government Services to Residents		16,892
Administration		<u>11,788</u>
Total Depreciation Expense – Governmental Activities		<u><u>\$752,990</u></u>

### Note 5: Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	<u>\$194,817</u>
Total for Governmental Funds		<u><u>\$194,817</u></u>
Agency:		
Agricultural Extension	Collections	\$130,850
Assessor		239,736
Schools		5,684,077
Community Colleges		473,173
Corporations		2,611,756
Auto License & Use Tax		200,332
All Others		<u>1,216,706</u>
Total for Agency Funds		<u><u>\$10,556,630</u></u>

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows:

	Compensated Absences	Capital Loan Notes	General Obligation Bonds	Total
Beginning Balance	\$312,165	\$908,176	\$0	\$1,220,341
Increases	24,397	300,000	5,100,000	5,424,397
Decreases	0	89,805	0	89,805
Ending Balance	\$336,562	\$1,118,371	\$5,100,000	\$6,554,933
Due Within One Year	\$336,562	\$101,727	\$0	\$438,289

### Notes Payable

During the fiscal year ended June 30, 2007, the County issued \$400,000 of General Obligation Capital Loan Notes. The notes were issued to provide funds to pay costs of improvements at the Howard County Secondary Roads Shop. Semiannual payments, June 1 and December 1, commencing December 1, 2006 are required through June 1, 2016. Interest payments are semiannual at a fixed rate of 4.15% per annum. The following is a schedule of future payments in effect at June 30, 2011:

Year Ending June 30,	Principal	Interest	Total
2012	\$41,127	\$8,812	\$49,939
2013	42,852	7,087	49,939
2014	44,648	5,290	49,938
2015	46,520	3,418	49,938
2016	47,324	1,468	48,792
	\$222,471	\$26,075	\$248,546

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

During the fiscal year ended June 30, 2009, the County issued \$250,000 of General Obligation Capital Loan Notes, series 2009A. The notes were issued to pay the costs of construction of a new bridge serving Lake Hendrichs Park with an 8 foot pedestrian crossing. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2019 for interest at a rate of 3.65%. Annual principal payments are due on June 1, 2010 through June 1, 2019. The following is a schedule of future payments in effect at June 30, 2011:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$22,500	\$7,738	\$30,238
2013	23,000	6,917	29,917
2014	24,500	6,077	30,577
2015	25,000	5,184	30,184
2016	27,000	4,270	31,270
2017-2019	90,000	6,698	96,698
	<u>\$212,000</u>	<u>\$36,884</u>	<u>\$248,884</u>

During the year ended June 30, 2009, the County issued \$100,000 of General Obligation Capital Loan Notes, series 2009B. The notes were issued for the purpose of paying the costs of acquisition of a snow plow truck for the Secondary Road Department. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2019 for interest at a rate of 3.65%. Annual principal payments are due on June 1, 2011 through June 1, 2019. The following is a schedule of future payments in effect at June 30, 2011:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$9,000	\$3,084	\$12,084
2013	8,750	2,756	11,506
2014	9,750	2,436	12,186
2015	10,000	2,081	12,081
2016	10,750	1,716	12,466
2017-2019	36,250	2,691	38,941
	<u>\$84,500</u>	<u>\$14,764</u>	<u>\$99,264</u>

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

During the year ended June 30, 2009, the County issued \$25,000 of General Obligation Capital Loan Notes, series 2009C. The notes were issued for the purpose of paying the costs of the acquisition of a pickup truck for the Secondary Road Department. Semiannual payments, June 1 and December 1, commencing June 1, 2010 are required through June 1, 2014 for interest at a rate of 3.25%. Annual principal payments are due on June 1, 2010 through June 1, 2014. The following is a schedule of future payments in effect at June 30, 2011:

Year Ending June 30,	Principal	Interest	Total
2012	\$5,100	\$517	\$5,617
2013	5,300	351	5,651
2014	5,500	179	5,679
	\$15,900	\$1,047	\$16,947

During the year ended June 30, 2010, the County issued \$32,700 and \$29,700 of Limited Tax Anticipation Bonds on behalf of Vernon Springs Township and Howard Center, respectively. The bonds were issued for the purpose of paying costs of the purchase of new fire equipment. The bonds represent liabilities of the County, however payments will be made with township tax revenue. Semiannual interest payments are due commencing December 1, 2009 at a rate of 4.25%, annual principal payments commence June 1, 2010, maturing on June 1, 2016 and June 1, 2019, respectively. The following is a schedule of future payments in effect at June 30, 2011:

Year Ending June 30,	Vernon Springs Township Bond		
	Principal	Interest	Total
2012	\$4,600	\$999	\$5,599
2013	4,600	803	5,403
2014	4,600	608	5,208
2015	4,600	412	5,012
2016	5,100	217	5,317
2017-2019	0	0	0
	\$23,500	\$3,039	\$26,539

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

Year Ending June 30,	Howard Center Township Bond		
	Principal	Interest	Total
2012	\$2,900	\$1,016	\$3,916
2013	2,900	892	3,792
2014	2,900	769	3,669
2015	2,900	646	3,546
2016	2,900	523	3,423
2017-2019	9,400	829	10,229
	<u>\$23,900</u>	<u>\$4,675</u>	<u>\$28,575</u>

The County was in compliance in the issuance of these bonds.

During the year ended June 30, 2010, the County issued three \$100,000 General Obligation Capital Loan Notes for the purpose of paying costs of the acquisition of road maintenance trucks for the Lime Springs area, the Cresco area and the Elma area. Semiannual interest payments are due commencing June 1, 2010 at rates of 3.0% to 3.9% over the duration of the notes. Annual principal payments are due commencing June 1, 2011, maturing on June 1, 2020. The following is a schedule of future payments in effect at June 30, 2011 for the three notes combined:

Year Ending June 30,	Principal	Interest	Total
2012	\$24,000	\$10,110	\$34,110
2013	25,500	9,372	34,872
2014	27,000	8,556	35,556
2015	30,000	7,662	37,662
2016	30,000	6,642	36,642
2017-2020	147,000	14,556	161,556
	<u>\$283,500</u>	<u>\$56,898</u>	<u>\$340,398</u>

The County was in compliance in the issuance of these notes.

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

During the year ended June 30, 2011, the County issued \$300,000 General Obligation Capital Loan Notes for the purpose of renovating the courthouse. Semiannual interest payments are due commencing December 1, 2011 at 1.20% to 3.00% over the duration of the notes. Annual principal payments are due commencing June 1, 2013, maturing on June 1, 2022. The following is a schedule of future payments in effect at June 30, 2011:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$0	\$8,968	\$8,968
2013	13,000	8,609	21,609
2014	27,000	8,440	35,440
2015	28,000	8,022	36,022
2016	29,000	7,447	36,447
2017-2022	203,000	25,672	228,672
	<u>\$300,000</u>	<u>\$67,158</u>	<u>\$367,158</u>

The County was in compliance in the issuance of these notes.

### Bonds Payable

During the year ended June 30, 2011, the County issued \$5,100,000 General Obligation Bonds for the purpose of paying costs of construction, reconstruction, improvements and repairs of roads, bridges and culverts. Semi annual interest payments are due commencing June 1, 2011 at rates of 1.20% to 3.00% over the duration of the bonds. Annual principal payments are due commencing June 1, 2013, maturing on June 1, 2020. The following is a schedule of future payments in effect at June 30, 2011:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$0	\$109,120	\$109,120
2013	350,000	109,120	459,120
2014	640,000	104,920	744,920
2015	650,000	95,960	745,960
2016	660,000	85,560	745,560
2017-2020	2,800,000	193,860	2,993,860
	<u>\$5,100,000</u>	<u>\$698,540</u>	<u>\$5,798,540</u>

The County was in compliance in the issuance of these bonds.

### 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.

## **Notes to Financial Statements (Continued)**

---

### **Note 7: Pension and Retirement Benefits (Continued)**

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$221,432, \$195,071 and \$179,666, respectively, equal to the required contributions for each year.

### **Note 8: Risk Management**

Howard County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$95,872.

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

## **Notes to Financial Statements (Continued)**

### **Note 8: Risk Management (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$3,000,000 and \$20,000, respectively, with an additional \$30,000 for the Treasurer's employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 9: Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of deductibles of the County's health insurance benefit plan. This plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Group Benefits.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Midwest Group Benefits from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 were \$741,803.

## **Notes to Financial Statements (Continued)**

---

### **Note 9: Employee Health Insurance Plan (Continued)**

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$13,748, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve had a balance of \$227,812 at June 30, 2011 and is reported as a designation of the Internal Service, Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

### **Note 10: Other Postemployment Benefits (OPEB)**

Howard County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 67 active and 1 retired member in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a premium based medical plan, is administered by Midwest Group Benefits. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

## Notes to Financial Statements (Continued)

### Note 10: Other Postemployment Benefits (OPEB) (Continued)

The table shows the components of the County's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$48,227
Interest on net OPEB obligation	1,079
Adjustment to annual required contribution	(3,772)
Annual OPEB cost (expense)	45,534
Contributions made	(1,638)
Increase in net OPEB obligation	43,896
Net OPEB obligation – beginning of year	43,149
Net OPEB obligation – end of the year	\$87,045

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the County contributed \$1,638 to the medical plan. Plan members receiving benefits contributed \$6,753, or 80% 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, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$44,499	3.12%	\$43,149
June 30, 2011	\$48,227	3.73%	\$87,045

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$381,458 with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$381,458. The covered payroll (annual payroll of active employees covered by the plan) was \$2,524,373, and the ratio of the UAAL to the covered payroll was 15.11%. As of June 30, 2011, 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 assumption about future employment, mortality, and the healthcare 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, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present 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.

## **Notes to Financial Statements (Continued)**

---

### **Note 10: Other Postemployment Benefits (OPEB) (Continued)**

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 benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of the July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

### **Note 11: Tax Increment Financing**

On June 21, 1993, Howard County entered into a Development and Assessment Agreement with Featherlite Manufacturing. In the agreement, the County agreed to loan Featherlite Manufacturing \$400,000 for the construction of a corporate headquarters building in the County. The loan will be repaid with 7% interest over a twenty year period using the incremental tax revenues generated by property taxes on the new facilities.

### **Note 12: Closure and Postclosure Care Cost**

Howard County has contracted with the Winneshiek County Area Solid Waste Agency. The purpose of the Agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated within each member. In performing its duties, the Agency may contract with and expend funds from federal, state and local agencies and private individuals and corporations.

State and Federal laws and regulations require the Agency 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, state laws require the Agency to submit a closure and postclosure plan detailing the schedule for the methods by which the operator will meet the conditions for proper closure and postclosure. The Agency is in compliance with this requirement. On June 30, 2011, Howard County did not anticipate any additional assessment for closure and postclosure costs.

## Notes to Financial Statements (Continued)

### Note 13: Business Transactions

Business transactions between the County and County officials or employees were noted.

### Note 14: Secondary Road Notes Receivable

In April 2007, the County entered into a 28E agreement with the City of Chester for an HMA resurfacing project. The agreement states that the City of Chester will be fiscally responsible for one half of the Division V project costs to be remitted from Howard County's Farm to Market account. The City shall reimburse Howard County over a period of not to exceed 5 years. The HMA resurfacing project was completed during the fiscal year ended June 30, 2008 and a repayment schedule was established in October 2008.

In April 2007, the County entered into a 28E agreement with the City of Lime Springs for an HMA resurfacing project. The agreement states that the City of Lime Springs will be fiscally responsible for one half of the Division III project costs to be remitted from Howard County's Farm to Market account. The City shall reimburse Howard County over a period of not to exceed 5 years. The HMA resurfacing project was completed during the fiscal year ended June 30, 2008 and a repayment schedule was established in October 2008.

### Note 15: Subsequent Events

Management evaluated subsequent events through March 19, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to March 19, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

### Note 16: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Conservation Special Projects	Special Equipment	Conservation Land Acquisition	Pennies for Poverty
Balances June 30, 2010, as previously reported	\$942,545	\$278,397	\$7,873	\$23,849	\$719
Change in fund type classification per implementation of GASB Statement No. 54	310,838	(278,397)	(7,873)	(23,849)	(719)
Balances July 1, 2010, as restated	\$1,253,383	\$0	\$0	\$0	\$0

**HOWARD COUNTY**  
**Cresco, Iowa**

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, 2011

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$4,524,290	\$0	\$4,524,290	\$4,406,308	\$4,523,949	\$341
Interest & Penalty on Property Tax	52,621	0	52,621	0	0	52,621
Intergovernmental	4,478,593	0	4,478,593	4,403,352	4,495,151	(16,558)
Licenses & Permits	7,005	0	7,005	4,050	5,675	1,330
Charges for Services	423,341	0	423,341	460,143	457,943	(34,602)
Use of Money & Property	131,847	0	131,847	95,620	299,596	(167,749)
Miscellaneous	210,465	0	210,465	197,773	269,147	(58,682)
<b>Total Receipts</b>	<b>9,828,162</b>	<b>0</b>	<b>9,828,162</b>	<b>9,567,246</b>	<b>10,051,461</b>	<b>(223,299)</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	1,151,358	0	1,151,358	1,327,125	1,332,630	181,272
Physical Health & Social Services	447,053	0	447,053	516,432	523,839	76,786
Mental Health	1,244,341	0	1,244,341	1,295,832	1,492,152	247,811
County Environment & Education	1,350,244	0	1,350,244	1,678,970	1,740,687	390,443
Roads & Transportation	3,744,221	0	3,744,221	3,375,388	3,743,656	(565)
Governmental Services to Residents	312,436	0	312,436	359,003	359,003	46,567
Administration Services	931,957	0	931,957	936,672	1,055,831	123,874
Non-Program	3,781	3,316	465	1,000	1,000	535
Debt Service	207,961	0	207,961	108,912	281,328	73,367
Capital Projects	2,558,285	0	2,558,285	96,522	5,252,729	2,694,444
<b>Total Disbursements</b>	<b>11,951,637</b>	<b>3,316</b>	<b>11,948,321</b>	<b>9,695,856</b>	<b>15,782,855</b>	<b>3,834,534</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,123,475)	(3,316)	(2,120,159)	(128,610)	(5,731,394)	3,611,235
Other Financing Sources, Net	5,400,000	0	5,400,000	30	5,207,915	192,085
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	3,276,525	(3,316)	3,279,841	(128,580)	(523,479)	3,803,320
Balance Beginning of Year	3,083,753	24,278	3,059,475	2,584,643	3,059,477	(2)
<b>Balance End of Year</b>	<b>\$6,360,278</b>	<b>\$20,962</b>	<b>\$6,339,316</b>	<b>\$2,456,063</b>	<b>\$2,535,998</b>	<b>\$3,803,318</b>

See Accompanying Independent Auditors' Report

**HOWARD COUNTY**  
**Cresco, Iowa**

**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2011

	Governmental Fund		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,828,162	\$43,198	\$9,871,360
Expenditures	11,951,637	(66,687)	11,884,950
Net	(2,123,475)	109,885	(2,013,590)
Other Financing Sources, Net	5,400,000	0	5,400,000
Beginning Fund Balances	3,083,753	322,073	3,405,826
Increase (Decrease) in Reserve For:			
Notes Receivable	0	(38,299)	(38,299)
Inventories	0	(8,936)	(8,936)
Ending Fund Balances	\$6,360,278	\$384,723	\$6,745,001

See Accompanying Independent Auditors' Report

**Howard County  
Cresco, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units 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 10 major classes of expenditures known as functions, not by fund. These 10 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, Special Revenue Funds, Debt Service Fund and Capital Projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$6,086,999. 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, 2011, disbursements exceeded the amounts budgeted in the Roads and Transportation function.

Howard County

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$381	\$381	0%	\$2,366	16.12%
2011	July 1, 2009	\$0	\$381	\$381	0%	\$2,525	15.11%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

**HOWARD COUNTY**  
Cresco, Iowa

COMBINING BALANCE SHEET  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2011

	Special Revenue			
	County Recorder's Record Management	Forfeiture Fund	Tax Increment Financing	Resource Enhancement & Protection
<b>ASSETS</b>				
Cash & Pooled Investments	\$8,159	\$1,142	\$11,068	\$76,811
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	133	0	0	0
Accrued Interest	0	0	0	3
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$8,292</b>	<b>\$1,142</b>	<b>\$11,068</b>	<b>\$76,814</b>
<b>LIABILITIES and FUND BALANCES</b>				
Liabilities:				
Deferred Revenue:				
Succeeding Year Property Tax	\$0	\$0	\$0	\$0
Other	0	0	0	0
Total Liabilities	0	0	0	0
Fund Balances:				
Restricted For:				
Drainage	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Other Purposes	8,292	1,142	11,068	76,814
Total Fund Balances	8,292	1,142	11,068	76,814
<b>Total Liabilities and Fund Balances</b>	<b>\$8,292</b>	<b>\$1,142</b>	<b>\$11,068</b>	<b>\$76,814</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

**Special Revenue**

Wapsi Great Western Trail	Webster's Additions LMI	Well Program	Drainage Districts	Debt Service	Capital Projects	Total
\$81,124	\$36,156	\$882	\$20,962	\$3,942	\$345,097	\$585,343
0	0	0	0	125	0	125
0	0	0	0	96,460	0	96,460
0	0	0	0	0	0	133
3	0	0	0	0	2	8
0	0	4,025	0	0	0	4,025
<b>\$81,127</b>	<b>\$36,156</b>	<b>\$4,907</b>	<b>\$20,962</b>	<b>\$100,527</b>	<b>\$345,099</b>	<b>\$686,094</b>
\$0	\$0	\$0	\$0	\$96,460	\$0	\$96,460
0	0	4,025	0	122	0	4,147
0	0	4,025	0	96,582	0	100,607
0	0	0	20,962	0	0	20,962
0	0	0	0	3,945	0	3,945
0	0	0	0	0	345,099	345,099
81,127	36,156	882	0	0	0	215,481
81,127	36,156	882	20,962	3,945	345,099	585,487
<b>\$81,127</b>	<b>\$36,156</b>	<b>\$4,907</b>	<b>\$20,962</b>	<b>\$100,527</b>	<b>\$345,099</b>	<b>\$686,094</b>

**HOWARD COUNTY**  
Cresco, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2011

	Special Revenue			
	County Recorder's Record Management	Forfeiture Fund	Tax Increment Financing	Resource Enhancement & Protection
<b>REVENUES:</b>				
Property & Other County Tax	\$0	\$0	\$106,824	\$0
Intergovernmental	0	0	0	12,365
Charges for Services	1,993	0	0	0
Use of Money & Property	5	0	0	49
Miscellaneous	0	0	0	0
Total Revenues	1,998	0	106,824	12,414
<b>EXPENDITURES:</b>				
Operating:				
Public Safety & Legal Services	0	0	0	0
County Environment & Education	0	0	56,230	0
Governmental Services to Residents	319	0	0	0
Administration	0	0	50,325	0
Non-program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	319	0	106,555	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,679	0	269	12,414
Other Financing Sources:				
Transfers In	0	0	0	0
General Obligation Capital Loan Notes Issued	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	1,679	0	269	12,414
Fund Balances -- Beginning of Year, As Restated	6,613	1,142	10,799	64,400
Fund Balances -- End of Year	\$8,292	\$1,142	\$11,068	\$76,814

See Accompanying Independent Auditors' Report

**Schedule 2**

Special Revenue						
Wapsi Great Western Trail	Webster's Additions LMI	Well Program	Drainage Districts	Debt Service	Capital Projects	Total
\$0	\$0	\$0	\$0	\$90,621	\$0	\$197,445
0	0	10,481	0	3,947	0	26,793
0	0	0	0	0	0	1,993
49	0	0	0	0	26	129
10,000	15,734	0	0	0	3,282	29,016
10,049	15,734	10,481	0	94,568	3,308	255,376
0	0	20,482	0	0	0	20,482
0	0	0	0	0	0	56,230
0	0	0	0	0	0	319
0	0	0	0	0	0	50,325
0	0	0	3,316	0	0	3,316
0	0	0	0	144,731	0	144,731
0	0	0	0	0	7,244	7,244
0	0	20,482	3,316	144,731	7,244	282,647
10,049	15,734	(10,001)	(3,316)	(50,163)	(3,936)	(27,271)
0	0	0	0	50,317	0	50,317
0	0	0	0	0	300,000	300,000
0	0	0	0	50,317	300,000	350,317
10,049	15,734	(10,001)	(3,316)	154	296,064	323,046
71,078	20,422	10,883	24,278	3,791	49,035	262,441
\$81,127	\$36,156	\$882	\$20,962	\$3,945	\$345,099	\$585,487

**HOWARD COUNTY**  
Cresco, Iowa

COMBINING SCHEDULE OF FIDUCIARY  
ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$1,732	\$123,116	\$77,677
Other County Officials	11,493	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	3	3	140
Succeeding Year	0	129,115	140,374	5,606,260
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$11,493</b>	<b>\$130,850</b>	<b>\$263,493</b>	<b>\$5,684,077</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$779	\$0
Salaries & Benefit Payable	0	0	1,507	0
Due to Other Governments	400	130,850	239,736	5,684,077
Trusts Payable	11,093	0	0	0
Compensated Absences	0	0	21,471	0
<b>TOTAL LIABILITIES</b>	<b>\$11,493</b>	<b>\$130,850</b>	<b>\$263,493</b>	<b>\$5,684,077</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,981	\$35,758	\$1,674	\$270	\$200,332	\$411,610	\$858,150
0	0	0	0	0	0	11,493
11	168	0	0	0	15	340
467,181	2,575,830	136,393	0	0	641,862	9,697,015
0	0	0	0	0	2,104	2,104
0	0	0	0	0	115	115
0	0	0	30,447	0	0	30,447
<u>\$473,173</u>	<u>\$2,611,756</u>	<u>\$138,067</u>	<u>\$30,717</u>	<u>\$200,332</u>	<u>\$1,055,706</u>	<u>\$10,599,664</u>
\$0	\$0	\$0	\$0	\$0	\$2,891	\$3,670
0	0	0	0	0	474	1,981
473,173	2,611,756	138,067	30,717	200,332	1,047,522	10,556,630
0	0	0	0	0	(388)	10,705
0	0	0	0	0	5,207	26,678
<u>\$473,173</u>	<u>\$2,611,756</u>	<u>\$138,067</u>	<u>\$30,717</u>	<u>\$200,332</u>	<u>\$1,055,706</u>	<u>\$10,599,664</u>

**HOWARD COUNTY**  
Cresco, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2011

<b>ASSETS AND LIABILITIES</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances – Beginning of Year	\$7,159	\$125,671	\$246,411	\$5,603,621
Additions:				
Property & Other County Tax	0	130,686	142,062	5,675,428
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,531	5,948	247,216
Office Fees & Collections	223,383	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Trusts	111,248	0	0	0
Miscellaneous	0	0	8	0
Total Additions	334,631	136,217	148,018	5,922,644
Deductions:				
Agency Remittances:				
To Other Funds	103,746	0	0	0
To Other Governments	119,385	131,038	119,286	5,842,188
Trusts Paid Out	107,166	0	0	0
Total Deductions	330,297	131,038	119,286	5,842,188
Transfers In (Out)	0	0	(11,650)	0
Balances – End of Year	\$11,493	\$130,850	\$263,493	\$5,684,077

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$435,692	\$2,220,342	\$134,744	\$64,239	\$194,122	\$959,070	\$9,991,071
\$472,666	2,496,418	137,824	0	0	649,622	9,704,706
0	0	0	0	0	77,043	77,043
19,102	95,977	5,826	0	0	27,519	407,119
0	0	0	0	0	0	223,383
0	0	0	0	2,428,055	0	2,428,055
0	0	0	0	0	219,803	331,051
0	0	0	0	0	62,806	62,814
491,768	2,592,395	143,650	0	2,428,055	1,036,793	13,234,171
0	0	0	0	78,405	0	182,151
454,287	2,200,981	140,327	33,522	2,343,440	732,348	12,116,802
0	0	0	0	0	219,459	326,625
454,287	2,200,981	140,327	33,522	2,421,845	951,807	12,625,578
0	0	0	0	0	11,650	0
\$473,173	\$2,611,756	\$138,067	\$30,717	\$200,332	\$1,055,706	\$10,599,664

**HOWARD COUNTY**  
Cresco, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

For the Last Nine Years

	Modified Accrual Basis			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property & Other County Tax	\$4,004,308	\$3,662,011	\$3,340,785	\$3,250,683
Local Option Sales Tax	523,426	477,110	522,505	423,390
Interest & Penalty On Property Tax	52,610	38,044	43,081	32,898
Intergovernmental	4,485,985	4,275,852	4,316,869	3,382,725
Licenses & Permits	6,455	15,707	9,455	20,501
Charges for Service	435,029	452,535	453,109	441,531
Use of Money & Property	130,804	90,992	121,691	189,486
Miscellaneous	232,743	607,263	247,576	207,084
<b>Total</b>	<b>\$9,871,360</b>	<b>\$9,619,514</b>	<b>\$9,055,071</b>	<b>\$7,948,298</b>
<b>Expenditures:</b>				
Operating:				
Public Safety & Legal Services	\$1,124,463	\$1,147,307	\$1,085,111	\$1,178,257
Physical Health & Social Services	437,706	422,537	396,894	397,860
Mental Health	1,299,362	1,106,707	1,249,311	1,252,692
County Environment & Education	1,254,461	1,702,186	894,678	799,801
Roads & Transportation	3,740,812	3,936,790	3,379,695	3,305,054
Governmental Services To Residents	306,361	298,951	313,020	266,112
Administration Services	932,209	837,436	864,774	788,090
Non-Program	3,781	1,924	3,251	5,767
Debt Service	207,961	87,407	49,939	49,939
Capital Projects	2,577,834	295,940	42,222	34,061
<b>Total</b>	<b>\$11,884,950</b>	<b>\$9,837,185</b>	<b>\$8,278,895</b>	<b>\$8,077,633</b>

See Accompanying Independent Auditors' Report

**Schedule 5**

Modified Accrual Basis				
2007	2006	2005	2004	2003
\$3,271,573	\$3,064,407	\$3,003,306	\$2,996,847	\$2,808,593
439,631	392,701	344,460	330,545	317,832
28,481	31,947	26,264	28,902	30,227
3,192,694	3,101,743	2,936,128	2,788,622	2,664,971
6,330	8,594	5,280	3,895	4,733
400,128	390,617	388,727	356,000	314,652
217,954	174,632	351,573	64,405	94,381
295,069	320,952	133,960	193,443	182,480
<b>\$7,851,860</b>	<b>\$7,485,593</b>	<b>\$7,189,698</b>	<b>\$6,762,659</b>	<b>\$6,417,869</b>
\$1,035,867	\$959,201	\$917,620	\$879,651	\$887,697
336,340	395,732	443,218	450,526	465,631
1,304,049	1,106,788	996,192	1,099,206	1,004,410
866,273	766,713	1,066,753	641,948	641,870
3,176,661	3,007,255	2,379,734	2,655,035	2,382,111
251,107	370,212	230,791	211,876	214,051
802,558	753,519	772,808	696,011	579,142
1,461	5,888	12,894	4,110	7,870
49,939	0	20,826	30,408	113,408
504,084	573,014	346,049	29,817	124,409
<b>\$8,328,339</b>	<b>\$7,938,322</b>	<b>\$7,186,885</b>	<b>\$6,698,588</b>	<b>\$6,420,599</b>



**Gardiner Thomsen**  
Certified Public Accountants

**Independent Auditors' 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 Howard County:  
Cresco, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howard County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard 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 Howard County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard County's internal control over financial reporting.

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

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

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

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Howard County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Howard County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard County and other parties to whom Howard County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 19, 2012

*Gardiner Thomsen, P.C.*

**HOWARD COUNTY**  
**Cresco, Iowa**

**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2011**

**Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES:**

**A      Segregation of Duties**

*Finding* – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that various functions of the County are performed by the same person.

*Criteria* – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Condition* – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

*Effect* – Transaction errors could occur and not be detected in a timely manner.

*Cause* – Limited staff available to segregate duties.

*Recommendation* – We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances.

*Response and Corrective Action Planned* – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

**B      Financial Reporting**

*Finding* – During our audit, we identified material amounts of accounts receivable and capital assets not recorded or incorrectly recorded in the County's financial statement.

*Criteria* – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

*Condition* – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

*Effect* – The accounts receivable listing was understated. The capital asset listing was not correct.

*Recommendation* – The County should implement procedures to ensure all receivables and capital assets, infrastructure and related depreciation are recorded in the financial statements.

*Response and Corrective Action Planned* – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

**HOWARD COUNTY**  
Cresco, Iowa

**SCHEDULE OF FINDINGS (Continued)**  
Year Ended June 30, 2011

**Findings Related to the Financial Statements (Continued)**

**C      Preparation of Full Disclosure Financial Statements**

*Finding* – During the audit, we noted that Howard County does not have the internal resources to prepare full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

*Criteria* – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

*Condition* – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

*Effect* – Although Gardiner Thomsen, P.C. assists in the preparation of the full disclosure financial statements, the management of the County thoroughly reviews them and accepts responsibility for their completeness and accuracy.

*Cause* – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

*Recommendation* – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

*Response and Corrective Action Planned* – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

**D      I-Jobs Financial Reporting**

*Finding* – Financial reports for the Iowa Department of Transportation regarding I-Jobs funds weren't submitted for each quarter in the fiscal year 2011.

*Criteria* – The grant agreement for the I-Jobs Grant program requires the County to submit quarterly reports showing all I-Jobs activity by the last day of the calendar year quarter until the Fiscal Year's allocation is used and the project allocation is used for is finished.

*Condition* – Not all quarterly reports were submitted to the Iowa Department of Transportation

*Effect* – The submission of the reports enables the Iowa Department of Transportation to submit an annual report to the legislature in accordance with House Files 820 and 822. The purpose of these reports is to provide transparency and accountability to the people of Iowa.

*Cause* – The County did not submit the report until after completion of the projects that used I-Jobs funds during the year.

*Recommendation* – The County should implement procedures to ensure timely submission of I-Jobs financial reports in accordance with the grant requirements.

**HOWARD COUNTY**  
**Cresco, Iowa**

**SCHEDULE OF FINDINGS (Continued)**  
**Year Ended June 30, 2011**

**Findings Related to the Financial Statements (Continued)**

*Response and Corrective Action Planned* – We contacted the DOT after not filing the report for the first quarter in the fiscal year 2011. We were informed to account for all I-JOBS related activity for the current quarter as well as the missing quarter. The project was finished in the third quarter of fiscal year 2011, so the fourth quarter report was not required.

**Other Findings Related to Required Statutory Reporting**

- 1      **Certified Budget** – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the Roads and Transportation function.

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

*Response* – We will amend the budget when required.

*Conclusion* – Response accepted.

- 2      **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined by an Attorney General’s opinion dated April 25, 1979.

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

- 4      **Business Transaction** - The following business transactions between the County and County officials or employees were noted:

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Lori Kerian, Office Manager		
Culligan Water Conditioning	Plumbing, Water & Supplies,	
Owned by Lori’s Husband	Water Softner	\$11,699

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Culligan Water Conditioning do not appear to represent a conflict of interest since Lori Kerian does not participate in acquiring the services.

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

**HOWARD COUNTY**  
**Cresco, Iowa**

**SCHEDULE OF FINDINGS (Continued)**  
**Year Ended June 30, 2011**

**Other Findings Related to Required Statutory Reporting (Continued)**

- 6      **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session twice on January 17, 2011 to discuss matters relating to the County. The minutes record does not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa, and the minutes do not document final action taken in open session.

*Recommendation* – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

*Response* – This was an oversight. We usually record the vote and final action as required and will do so in the future.

*Conclusion* – Response accepted.

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

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

- 9      **Economic Development** – During the year ended June 30, 2011, the County paid \$164,220 for Economic Development, which appears to be an appropriate expenditure of public funds since benefits to be derived have been clearly documented.

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

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

HOWARD COUNTY  
Cresco, Iowa

SCHEDULE OF FINDINGS (Continued)  
Year Ended June 30, 2011

**Other Findings Related to Required Statutory Reporting (Continued)**

- 11      **Credit Card Policy** – Several departments have credit cards for use by various employees while on County business. The County does have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, it was noted that supporting documentation was not always available to support credit card charges.

*Recommendation* – As required by the credit card policy, all claims for purchase by credit card should be supported by detailed invoices or other appropriate supporting documentation before payment.

*Response* – We will maintain detailed invoices for credit card claims before payment.

*Conclusion* – Response accepted.

## News Release

Gardiner Thomsen today released an audit report on Howard County, Iowa.

The County had local tax revenue of \$14,232,778 for the year ended June 30, 2011, which included \$576,942 in tax credits from the State. The County forwarded \$9,513,622 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,120,953 of the local tax revenue to finance county operations, an 8% increase from the prior year. Other revenues included charges for services of \$813,180, operating grants, contributions and restricted interest of \$4,192,955, capital grants, contributions and restricted interest of \$294,989, local option sales tax of \$523,426, unrestricted investment earnings of \$38,696 and other general revenues of \$185,881.

Expenses for County operations totaled \$9,480,080, a 5% increase from the prior year. Expenses included \$4,182,919 for Roads and Transportation, \$1,306,180 for Mental Health, and \$1,186,101 for Public Safety and Legal Services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.html>.

#####