

**ALLAMAKEE COUNTY
WAUKON, IOWA**

FINANCIAL REPORT

JUNE 30, 2012

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ALLAMAKEE COUNTY

OFFICIALS
JUNE 30, 2012

Name	Title	Term Expires
Larry Schellhammer	Supervisor	January 2015
Lennie Burke	Supervisor	January 2013
Sherry Strub	Supervisor	January 2015
Pam Benjegerdes	County Auditor	January 2013
Lori Hesse	County Treasurer	January 2015
Deb Winke	County Recorder	January 2015
Tim Heiderscheit	County Sheriff	January 2013
Jill Kistler	County Attorney	January 2015
Ann Burckart	County Assessor	Appointed

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Supervisors
Allamakee County
Waukon, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allamakee 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2013, on our consideration of Allamakee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on page 4 and pages 28 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 13, 2013

ALLAMAKEE COUNTY
WAUKON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2012

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

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 0.73%, or approximately \$82,000, from fiscal 2011 to fiscal 2012. Capital grants decreased approximately \$308,000 and property taxes increased approximately \$508,000.
- Program expenses were 4.98%, or approximately \$586,000, less in fiscal 2012 than in fiscal 2011. Mental health expenses increased approximately \$326,000 and roads and transportation expenses decreased approximately \$923,000.
- The County's net assets decreased 1.04%, or approximately \$230,000, from June 30, 2011 to June 30, 2012.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Allamakee County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Allamakee County as a whole and present an overall view of the County's finances and a longer-term view of those 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 Allamakee County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Allamakee County, the general fund, mental health-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Allamakee County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

REPORTING THE COUNTY AS A WHOLE (Continued)

The Statement of Net Assets and the Statement of Activities (Continued)

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.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, mental health-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund.

Governmental Funds

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, and 3) 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for functions such as emergency management services, the County Assessor, and E-911 service board.

The fiduciary funds required financial statements include a statement of fiduciary net assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

Condensed Statement of Net Assets			
(Expressed in Thousands)			
Governmental Activities			
	2012	2011	Percent Change
Current and other assets	\$ 12,003	\$ 12,348	-2.79%
Capital assets	16,043	15,469	3.71%
Total assets	28,046	27,817	0.82%
Long-term debt outstanding	226	203	11.33%
Other liabilities	5,919	5,483	7.95%
Total liabilities	6,145	5,686	8.07%
Net assets			
Invested in capital assets	16,043	15,469	3.71%
Restricted	3,743	4,538	-17.52%
Unrestricted	2,115	2,124	-0.42%
Total net assets	\$ 21,901	\$ 22,131	-1.04%

Allamakee County's net assets for the governmental activities decreased from fiscal 2011 to fiscal 2012. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). 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 for the governmental activities approximately \$9,000 or 0.42%.

The decrease in net assets for the governmental activities is due to an increase in mental health expenses along with a decrease in operating grants, capital grants and charges for services revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net assets for the year ending June 30, 2012:

	Changes in Net Assets		
	(Expressed in Thousands)		
	Governmental Activities		
	2012	2011	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 380	\$ 408	-6.86%
Operating grants	3,669	3,678	-0.24%
Capital grants		308	-100.00%
General revenue			
Property taxes	5,627	5,119	9.92%
Local option sales tax	285	300	-5.00%
Penalty and interest on property taxes	125	67	86.57%
State tax credits	649	667	-2.70%
Rents	92	60	
Unrestricted investment earnings	85	105	-19.05%
Other	41	322	87.27%
Total revenues	10,953	11,034	-0.73%
Program expenses:			
Public safety and legal services	1,566	1,575	-0.57%
Physical health and social services	611	635	-3.78%
Mental health	2,106	1,780	18.31%
County environment and education	845	857	-1.40%
Roads and transportation	4,723	5,647	-16.36%
Government services to residents	411	383	7.31%
Administration or general government	874	852	2.58%
Non-program	47	40	17.50%
Total expenses	11,183	11,769	-4.98%
Decrease in net assets	(230)	(735)	68.71%
Net assets beginning of year	22,131	22,866	-3.21%
Net assets end of year	\$ 21,901	\$ 22,131	-1.04%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$5,582,159, approximately \$924,000 decrease of the 2011 fiscal year end balance of \$6,506,097.

- The general fund revenues increased 4.70% from prior year, and the expenditures increased by 1.14% from the prior year. The ending fund balance showed a decrease of 4.94% from the prior year of \$2,193,430 to \$2,085,023.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,105,025, an increase of 18.73% from the prior year. The mental health fund balance at year end decreased by \$549,330 over the prior year.

INDIVIDUAL MAJOR FUND ANALYSIS (Continued)

- Secondary roads fund revenues decreased approximately \$236,000 over the prior year. For the year, expenditures totaled \$4,941,177, an increase of \$456,045. The secondary roads fund ending fund balance decreased approximately \$239,449 after \$1.4 million in transfers from the general fund and rural services–special revenue fund.
- The ending fund balance for the rural service fund decreased by \$38,789 or 6.67% over prior year. The decrease is due to an increase in transfers out of 5.83%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2012 and resulted in an increase in public safety and legal services, physical health and social service, county environment and education, government services to residents, administration, non-program and a decrease in mental health and capital project disbursements. However, this did not require an increase in taxes as the County received more revenue from use of money and property and charges for service receipts than originally projected.

The amendment made during the 2012 fiscal year should have no impact on the 2013 fiscal year’s budget.

The following chart shows the original and amended budget for fiscal 2012 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
REVENUES				
Property and other County tax	\$ 5,800	\$ 5,697	\$ 5,717	\$ 83
Interest and penalty on property tax	125			125
Intergovernmental	4,269	6,524	4,463	(194)
Licenses and permits	15	19	19	(4)
Charges for service	368	257	256	112
Use of money and property	219	136	172	47
Miscellaneous	221	375	370	(149)
Total revenues	\$ 11,017	\$ 13,008	\$ 10,997	\$ 20
EXPENDITURES				
Public safety and legal services	\$ 1,527	\$ 1,527	\$ 1,606	\$ 79
Physical health and social services	629	678	694	65
Mental health	1,990	2,189	2,181	191
County environment and education services	869	1,403	1,413	544
Roads and transportation	4,397	5,166	5,166	769
Governmental services to residents	408	437	439	31
Administrative services	859	892	917	58
Non-program	46	49	52	6
Capital project	1,086	3,309	1,192	106
Total expenditures	\$ 11,811	\$ 15,650	\$ 13,660	\$ 1,849

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, Allamakee County had \$16,043,286 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$979,524 for fiscal year 2012 and total accumulated depreciation of \$8,954,229 as of June 30, 2012 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had approximately \$197,785 in other debt compared to approximately \$188,262 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. 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 has no outstanding general obligation debt subject to this \$62,233,880 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Allamakee County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fee that will be charged for various County activities. One of those factors is the economy.

The County's local option sales taxes received continue to be a significant portion of County revenues and account, in part, for property tax levy rates lower than would otherwise be possible.

The County is anticipating not receiving 100% replacement for Homestead Credit therefore; the difference will need to be paid by the individual taxpayer. Allamakee County's delinquent property taxes continue to increase each year primarily due to penalties and interest accruing on the unpaid property taxes of one significant taxpayer of the County; but current local taxpayers are paying their property taxes in a timely manner.

Amounts available for appropriation in the operating budget are \$20,804,570, an increase of 35% over the final 2012 budget of \$16,189,260. Increase is due to the MRT Bike Trail.

In January 2013 there was a change in personnel in the Auditor position. The new auditor has an accounting degree and is working to improve procedures in the Auditor's office.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Allamakee 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, Allamakee County, 110 Allamakee Street, Waukon, IA 52172.

ALLAMAKEE COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 5,334,591
Receivables	
Property tax	
Delinquent	318,700
Succeeding year	5,135,085
Accounts	28,058
Accrued interest	6,835
Notes receivable	97,672
Due from other governments	381,389
Inventories	628,328
Prepaid expenses	49,211
Notes receivable	22,773
Nondepreciable assets	890,097
Capital assets, net of accumulated depreciation/depletion	15,153,189
	\$ 28,045,928
Total assets	\$ 28,045,928
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 374,844
Salaries and benefits payable	64,163
Due to other governments	345,086
Deferred revenue	
Succeeding year property tax	5,135,085
Long-term liabilities	
Portion due within one year	
Compensated absences	197,785
Portion due after one year	
Net OPEB obligation	28,264
	6,145,227
Total liabilities	6,145,227
NET ASSETS	
Invested in capital assets	16,043,286
Restricted for	
Mental health	196,726
Rural service	543,804
Secondary roads	2,357,684
Other special revenue	496,747
Capital projects	35,598
Other purposes	111,989
Unrestricted	2,114,867
	21,900,701
Total net assets	21,900,701
Total liabilities and net assets	\$ 28,045,928

See Notes to Financial Statements.

ALLAMAKEE COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 1,565,709	\$ 35,950	\$ 13,554		\$ (1,516,205)
Physical health and social services	610,845	17,999	372,039		(220,807)
Mental health	2,105,741	9,108	291,659		(1,804,974)
County environment and education	844,880	28,702	14,976		(801,202)
Roads and transportation	4,723,421	1,125	2,956,650		(1,765,646)
Government services to residents	411,255	283,109			(128,146)
Administration or general government	873,699	3,502	19,647		(850,550)
Non-program	46,086				(46,086)
Total governmental activities	\$ 11,181,636	\$ 379,495	\$ 3,668,525	\$ -	(7,133,616)
General revenues					
Property taxes levied for					
General purposes					5,626,851
Local option sales tax					284,929
Penalty and interest on property taxes					124,891
State tax credits					648,711
Franchise tax					1,860
Rents					92,280
Unrestricted investment earnings					85,108
Loss on sale of capital assets					(222,101)
Miscellaneous					261,249
Total general revenues					6,903,778
Change in net assets					(229,838)
Net assets, beginning of year					22,130,539
Net assets, end of year					\$ 21,900,701

See Notes to Financial Statements.

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ALLAMAKEE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 2,091,360	\$ 496,986	\$ 527,718	\$ 1,806,708
Receivables				
Property tax				
Delinquent	305,183	11,849	1,668	
Succeeding year	3,121,667	668,053	1,345,365	
Accounts	21,925	5,904		
Accrued interest	6,690			
Notes receivable				
Due from other funds		58,176		
Due from other governments	134,825		25,768	220,796
Prepaid expenditures	48,859	107	245	
Inventories				628,328
Total assets	\$ 5,730,509	\$ 1,241,075	\$ 1,900,764	\$ 2,655,832
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 77,526	\$ 32,134	\$ 10,420	\$ 254,471
Salaries and benefits payable	16,527	3,509	930	43,197
Due to other funds	58,176			
Due to other governments	4,060	340,546		480
Deferred revenue				
Succeeding year property tax	3,121,667	668,053	1,345,365	
Other	367,530	11,784	1,546	
Total liabilities	3,645,486	1,056,026	1,358,261	298,148
Fund balances				
Nonspendable				
Inventories				628,328
Prepaid expenditures	48,859	107	245	
Restricted for				
Mental health purposes		184,942		
Rural services purposes			542,258	
Secondary roads purposes				1,729,356
Other special revenue purposes				
Capital projects				
Other purposes	62,778			
Unassigned	1,973,386			
Total fund balances	2,085,023	185,049	542,503	2,357,684
Total liabilities and fund balances	\$ 5,730,509	\$ 1,241,075	\$ 1,900,764	\$ 2,655,832

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 411,819	\$ 5,334,591
	318,700
	5,135,085
229	28,058
145	6,835
120,445	120,445
	58,176
	381,389
	49,211
	628,328
<u>\$ 532,638</u>	<u>\$ 12,060,818</u>
\$ 293	\$ 374,844
	64,163
	58,176
	345,086
	5,135,085
120,445	501,305
<u>120,738</u>	<u>6,478,659</u>
	628,328
	49,211
	184,942
	542,258
	1,729,356
376,302	376,302
35,598	35,598
	62,778
	1,973,386
<u>411,900</u>	<u>5,582,159</u>
<u>\$ 532,638</u>	<u>\$ 12,060,818</u>

ALLAMAKEE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 5,582,159
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$8,954,229	16,043,286
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	501,305
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Compensated absences	(197,785)
Net OPEB obligation	(28,264)
	(226,049)
Net assets of governmental activities	\$ 21,900,701

See Notes to Financial Statements.

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ALLAMAKEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County tax	\$ 3,243,427	\$ 760,850	\$ 1,546,113	
Local option sales tax			146,858	\$ 138,071
Interest and penalty on property tax	124,891			
Intergovernmental	322,053	776,700	53,037	2,956,650
Licenses and permits	14,603			1,125
Charges for service	323,724	8,970	15,001	548
Use of money and property	164,083			11,220
Miscellaneous	19,590	9,175	558	183,548
Total revenues	4,212,371	1,555,695	1,761,567	3,291,162
EXPENDITURES				
Current				
Public safety and legal services	1,471,335		53,779	
Physical health and social services	605,809			
Mental health	1	2,105,025		
County environment and education services	399,254		396,901	
Roads and transportation	429,864		46,061	3,974,081
Governmental services to residents	400,436			
Administrative services	862,042			
Non-program	46,086			
Capital project				967,096
Total expenditures	4,214,827	2,105,025	496,741	4,941,177
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,456)	(549,330)	1,264,826	(1,650,015)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,050			1,410,566
Proceeds from disposal of capital assets	1,000			
Transfers out	(116,001)		(1,303,615)	
	(105,951)	-	(1,303,615)	1,410,566
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(108,407)	(549,330)	(38,789)	(239,449)
FUND BALANCES, beginning of year	2,193,430	734,379	581,292	2,597,133
FUND BALANCES, end of year	\$ 2,085,023	\$ 185,049	\$ 542,503	\$ 2,357,684

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
	\$ 5,550,390
	284,929
	124,891
\$ 160,066	4,268,506
	15,728
3,084	351,327
42,185	217,488
5,308	218,179
<u>210,643</u>	<u>11,031,438</u>
	1,525,114
15,961	621,770
	2,105,026
64,474	860,629
	4,450,006
7,057	407,493
	862,042
	46,086
<u>111,114</u>	<u>1,078,210</u>
<u>198,606</u>	<u>11,956,376</u>
<u>12,037</u>	<u>(924,938)</u>
	1,419,616
	1,000
	<u>(1,419,616)</u>
<u>-</u>	<u>1,000</u>
12,037	(923,938)
<u>399,863</u>	<u>6,506,097</u>
<u>\$ 411,900</u>	<u>\$ 5,582,159</u>

ALLAMAKEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	(923,938)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period		
Depreciation	\$	(979,524)
Capital outlays	<u>1,777,313</u>	797,789
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		
Property tax	76,461	
Other	<u>66,000</u>	142,461
The net effect of disposal of capital assets		(223,101)
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		
Compensated absences	(9,523)	
Net OPEB obligation	<u>(13,526)</u>	(23,049)
Change in net assets of governmental activities	<u>\$</u>	<u>(229,838)</u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 1,582,050
Other County officials	38,138
Receivables	
Property tax	
Delinquent	439,754
Succeeding year	12,141,980
Accounts	6,864
Due from other governments	124,396
	<hr/>
Total assets	14,333,182
	<hr/>
LIABILITIES	
Accounts payable	36,347
Due to other governments	14,283,144
Trusts payable	7,279
Compensated absences	6,412
	<hr/>
Total liabilities	14,333,182
	<hr/>
NET ASSETS	\$ None
	<hr/> <hr/>

See Notes to Financial Statements.

ALLAMAKEE COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Allamakee 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.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Allamakee County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission and Allamakee County Joint E-911 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 agency funds of the County.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax and intergovernmental revenues and other non-exchange transactions.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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 that are 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.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/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 assets 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.

Fund Financial Statements

Separate financial statements are provided for governmental 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.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration of public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are restricted or committed for expenditure for specified purposes other than debt service or capital projects. The major funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

The Mental Health/Development Disabilities (MH/DD) Services fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation and developmental disabilities services.

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

The secondary roads fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the general and the special revenue, rural services funds and other revenues to be used for secondary road construction and maintenance.

Fiduciary Fund Types

Agency Funds

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

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the "economic resources" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statements of net assets. In reporting the financial activity on the governmental activities statements, the County applies all applicable GASB pronouncements.

In the fund financial statements, the "current financial resources" measurement focus is used. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The government-wide funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents, and Investments

The County Treasurer maintains one primary demand deposit account through which the majority of the County's cash resources are processed.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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. The delinquent property taxes include a large portion from a business that went bankrupt.

Notes Receivable

Notes receivable represent economic development loans from the County's revolving loan special revenue fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to three years. Interest rates on these notes receivables range from 1.3% to 4.6%. The balance of the loans receivable at June 30, 2012 was \$120,445.

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2012 are recorded as prepaid insurance.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported in the governmental activities column of the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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:

Land, buildings and improvements	\$	25,000
Equipment and vehicles		5,000
Infrastructure, road networks		50,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-50
Land improvements	20-50
Equipment	2-20
Vehicles	3-10
Infrastructure, road network	30-65

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

In the fund financial statements certain revenues are measurable, however 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, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absence liability attributable to the governmental activities will be paid primarily by the general fund, mental health, rural services and secondary roads special revenue funds. The County's approximate maximum liability for accrued vacation pay at June 30, 2012 is \$197,785.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains age sixty-five.

Fund Balance

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

Nonspendable fund balances are 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 fund balances are 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 imposed by law through constitutional provisions or enabling legislation.

Assigned fund balances are amounts the Board of Supervisors intend to use for specific purposes.

Unassigned fund balances are the remaining fund balance which is not included in other spendable classifications.

Net Assets

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Net Assets (Continued)

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Revenues, Expenditures and Expenses

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

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

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

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) in 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.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2012:

Governmental	
General fund, other	\$ 134,825
Rural service fund	
Local option sales tax	25,768
Secondary roads fund	
Road use tax	197,370
Local option sales tax	23,426
	<u>220,796</u>
 Total governmental	 <u>\$ 381,389</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Land	\$ 858,743	\$ 31,354	\$ None	\$ 890,097
Capital assets being depreciated				
Buildings and improvements	1,846,344	37,200		1,883,544
Equipment	3,684,392	662,957	808,151	3,539,198
Vehicles	2,365,070	39,859	39,302	2,365,627
Infrastructure	15,313,106	1,005,943		16,319,049
Total capital assets being depreciated	23,208,912	1,745,959	847,453	24,107,418
Less accumulated depreciation				
Buildings and improvements	1,061,924	37,419		1,099,343
Equipment	2,472,638	247,046	585,050	2,134,634
Vehicles	1,871,145	92,450	39,302	1,924,293
Infrastructure	3,193,350	602,609		3,795,959
Total accumulated depreciation	8,599,057	979,524	624,352	8,954,229
Total capital assets being depreciated, net	14,609,855	766,435	223,101	15,153,189
Governmental activities				
Capital assets, net	\$ 15,468,598	\$ 797,789	\$ 223,101	\$ 16,043,286

For the year ended June 30, 2012, depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 37,286
Physical health and social services	5,936
Mental health	4,967
County environment and education	25,938
Roads and transportation	894,714
Governmental services to residents	1,938
Administrative services	8,745
	<u>979,524</u>
	<u>\$ 979,524</u>

NOTES TO FINANCIAL STATEMENTS

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 as of June 30, 2012 is as follows:

Governmental			
General fund	Services	\$	4,060
Special revenue funds			
MH/DD	Services		340,546
Secondary roads			480
			341,026
Total governmental		\$	345,086
Fiduciary			
Agency			
County assessor	Collections	\$	492,491
Schools			7,903,757
Area schools			605,619
Corporations			3,732,987
Auto license and use tax			316,878
Other			1,231,412
			14,283,144
Total agency funds		\$	14,283,144

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38%, 4.50%, and 4.30% of their annual covered salary and the County is required to contribute 8.07%, 6.95%, and 6.65% of covered salary for the years ended June 30, 2012, 2011, and 2010 respectively. 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, 2012, 2011, and 2010 were \$291,302, \$251,334, and \$229,783, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2012 amount to \$751,927 and commitments to be reimbursed is \$68,070.

NOTES TO FINANCIAL STATEMENTS

7. **Construction, Purchase and Other Commitments (Continued)**

The County entered into a 28E Agreement with Winneshiek County to share the cost of Winneshiek County's CPC personnel. Each county will pay fifty percent of wages and benefits. The agreement shall remain in full force and effect until such time as the Board of Supervisors for one of the participating counties passes a resolution withdrawing from the agreement and provides at least sixty days notice before the withdrawal is effective.

8. **Leases**

As of June 30, 2012, the County is renting various county owned properties to other parties under operating leases. The leases vary in term but are typically short-term in nature.

9. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Issued	(Paid)	Balance June 30, 2012	Amounts Due Within One Year
Other liabilities					
Compensated absences	\$ 188,262	\$ 197,785	\$ (188,262)	\$ 197,785	\$ 197,785
Governmental activities					
Long-term liabilities	\$ 188,262	\$ 197,785	\$ (188,262)	\$ 197,785	\$ 197,785

At June 30, 2012, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 1,244,677,598
Debt limit – 5% of total assessed valuation	\$ 62,233,880
Legal debt margin	\$ 62,233,880

NOTES TO FINANCIAL STATEMENTS

10. Interfund Transfers

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

	Transfers In	Transfers Out
General fund		
Secondary roads		\$ 106,951
Nonmajor governmental	\$ 9,050	9,050
	9,050	116,001
 Special revenue		
Rural services		1,303,615
Secondary roads	1,410,566	
	1,410,566	1,303,615
	1,410,566	1,419,616
Total	\$ 1,419,616	\$ 1,419,616

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

11. Due to/from Other Funds

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund		
Mental health, special revenue		\$ 58,176
	\$ 58,176	
Total	\$ 58,176	\$ 58,176

12. Other Postemployment Benefits (OPEB)

Plan Description

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 95 active, 5 retired and 1 COBRA members in the plan. Participants must be age 55 or older at retirement.

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

NOTES TO FINANCIAL STATEMENTS

12. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	27,123
Interest on net OPEB obligation		590
Adjustment to annual required contribution		(564)
 Annual OPEB cost		 27,149
Contributions made		(13,623)
 Increase in net OPEB obligation		 13,526
Net OPEB obligation beginning of year		14,738
 Net OPEB obligation end of year	 \$	 28,264

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$13,623 to the medical plan. Plan members eligible for benefits contributed \$70,821, or 40% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 27,123	46%	\$ 14,738
June 30, 2012	\$ 27,149	50%	\$ 28,264

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$244,684, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$244,684. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,388,487 and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2012, there were no trust fund assets.

12. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method 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 long-term perspective of the calculations.

As of July 1, 2010, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching 5% ultimate trend rate.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2012 using Scale AA.

13. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2012 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the County.

14. Risk Management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2012, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15. New Governmental Accounting Standards Board (GASB) Standards

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

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

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

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

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

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

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ALLAMAKEE COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2012

	Actual	Less Amounts not Budgeted	Budget Basis
RECEIPTS			
Property and other County tax	\$ 5,800,495		\$ 5,800,495
Interest and penalty on property tax	124,780		124,780
Intergovernmental	4,268,587		4,268,587
Licenses and permits	15,503		15,503
Charges for service	368,371		368,371
Use of money and property	218,805	\$ 5	218,800
Miscellaneous	220,685		220,685
Total receipts	11,017,226	5	11,017,221
DISBURSEMENTS			
Public safety and legal services	1,526,971		1,526,971
Physical health and social services	628,816		628,816
Mental health	1,989,737		1,989,737
County environment and education services	869,405		869,405
Roads and transportation	4,396,674		4,396,674
Governmental services to residents	407,948		407,948
Administrative services	858,984		858,984
Non-program	45,852		45,852
Capital project	1,086,263		1,086,263
Total disbursements	11,810,650	-	11,810,650
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(793,424)	5	(793,429)
OTHER FINANCING SOURCES, NET	1,000		1,000
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(792,424)	5	(792,429)
BALANCE, beginning of year	6,127,015		6,127,015
BALANCE, end of year	\$ 5,334,591	\$ 5	\$ 5,334,586

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 5,697,050	\$ 5,717,050	\$ 83,445
6,523,723	4,462,703	124,780
18,875	18,875	(194,116)
257,150	256,150	(3,372)
136,401	172,385	112,221
374,900	369,797	46,415
		(149,112)
<u>13,008,099</u>	<u>10,996,960</u>	<u>20,261</u>
1,527,303	1,606,087	79,116
677,540	694,646	65,830
2,188,925	2,181,061	191,324
1,402,430	1,412,531	543,126
5,166,110	5,166,110	769,436
437,357	438,911	30,963
892,089	916,904	57,920
49,350	51,712	5,860
3,309,100	1,192,100	105,837
<u>15,650,204</u>	<u>13,660,062</u>	<u>1,849,412</u>
(2,642,105)	(2,663,102)	1,869,673
<u>5,500</u>	<u>5,500</u>	<u>(4,500)</u>
(2,636,605)	(2,657,602)	1,865,173
<u>4,438,246</u>	<u>4,438,246</u>	<u>1,688,769</u>
<u>\$ 1,801,641</u>	<u>\$ 1,780,644</u>	<u>\$ 3,553,942</u>

ALLAMAKEE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,017,226	\$ 14,212	\$ 11,031,438
Expenditures	11,810,650	145,726	11,956,376
Net	(793,424)	(131,514)	(924,938)
Other financing sources, net	1,000		1,000
Beginning fund balance	6,127,015	379,082	6,506,097
Ending fund balance	\$ 5,334,591	\$ 247,568	\$ 5,582,159

See Notes to Required Supplementary Information.

ALLAMAKEE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2012

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 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 or fund type. 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, capital projects fund and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$1,990,142. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor, by the County Conference Board; for the E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

Included in the amounts not budgeted is the forfeiture account used by the Sheriff's department.

ALLAMAKEE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal 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)
2011	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,335	7.3%
2012	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,388	7.2%

See Note 12 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Supervisors
Allamakee County
Waukon, Iowa

We have audited the financial statements of Allamakee County as of and for the year ended June 30, 2012, and our report thereon dated February 13, 2013, which expressed an unqualified opinion on the financial statements, appears on pages 2 through 3. Our audit was performed for the purpose of forming opinions on such financial statements as a whole. The supplementary information on Schedules 1 through 7 for 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on Schedules 1 through 7 for 2012 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Allamakee County as of and for the years ended June 30, 2009 through 2011, (none of which are presented herein). We expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the 2011 fiscal year. We expressed a qualified opinion on the governmental activities for the 2010 fiscal year due to the omission of OPEB reporting and disclosures. We expressed unqualified opinion on each major fund and the aggregate remaining fund information for the 2010 fiscal year. We expressed a qualified opinion on the governmental activities and special revenue major fund-secondary roads for the 2009 fiscal year due to the scope limitation on valuation of inventory. We expressed unqualified opinion on each major fund, except special revenue fund-secondary roads, and the aggregate remaining fund information for the 2009 fiscal year. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The comparative schedule of revenues by source and expenditures by function (Schedule 7) information for fiscal years 2009 to 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2009 through 2011 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2009 through 2011, presented on page 40, is fairly stated, in all material respects in relation to the financial statements from which it has been derived.

The financial statements of Allamakee County for the years ended June 30, 2004 through 2008 (none of which are presented herein), were audited by other auditors whose report dated February 19, 2009, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the supplemental information for 2004 through 2008 presented on page 40 stated in their opinion, such information was fairly stated in all material respects in relation to the financial statements for which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 13, 2013

ALLAMAKEE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 376,221	\$ 35,598	\$ 411,819
Receivables			
Accounts	229		229
Accrued interest	145		145
Notes receivable	120,445		120,445
	<u>497,040</u>	<u>35,598</u>	<u>532,638</u>
Total assets	\$ 497,040	\$ 35,598	\$ 532,638
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 293		\$ 293
Deferred revenue			
Other	120,445		120,445
	<u>120,738</u>	<u>\$ -</u>	<u>120,738</u>
Total liabilities	120,738	\$ -	120,738
Fund balances			
Restricted for:			
Other special revenue funds	376,302		376,302
Capital projects		35,598	35,598
	<u>376,302</u>	<u>35,598</u>	<u>411,900</u>
Total fund balances	376,302	35,598	411,900
Total liabilities and fund balances	\$ 497,040	\$ 35,598	\$ 532,638

See Independent Auditor's Report on the Supplementary Information.

ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 30,389	\$ 129,677	\$ 160,066
Charges for service	3,084		3,084
Use of money and property	42,185		42,185
Miscellaneous	5,308		5,308
Total revenues	<u>80,966</u>	<u>129,677</u>	<u>210,643</u>
EXPENDITURES			
Operating			
Physical health and social services	15,961		15,961
County environment and education services	64,474		64,474
Governmental services to residents	7,057		7,057
Capital projects		111,114	111,114
Total expenditures	<u>87,492</u>	<u>111,114</u>	<u>198,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,526)</u>	<u>18,563</u>	<u>12,037</u>
FUND BALANCES, beginning of year	<u>382,828</u>	<u>17,035</u>	<u>399,863</u>
FUND BALANCES, end of year	<u>\$ 376,302</u>	<u>\$ 35,598</u>	<u>\$ 411,900</u>

See Independent Auditor's Report on the Supplementary Information.

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ALLAMAKEE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2012

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
ASSETS				
Cash and pooled investments	\$ 66,114	\$ 10,317	\$ 176,623	\$ 17,520
Receivables				
Accounts		229		
Accrued interest			145	
Notes receivable				
Total assets	\$ 66,114	\$ 10,546	\$ 176,768	\$ 17,520
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 293			
Deferred revenue				
Total liabilities	293	\$ -	\$ -	\$ -
Fund balances				
Restricted	65,821	10,546	176,768	17,520
Total fund balances	65,821	10,546	176,768	17,520
Total liabilities and fund balances	\$ 66,114	\$ 10,546	\$ 176,768	\$ 17,520

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

Revolving Loan Fund	Historic Preservation Fund	Total Nonmajor Special Revenue Funds
\$ 105,285	\$ 362	\$ 376,221
		229
		145
120,445		120,445
\$ 225,730	\$ 362	\$ 497,040
\$ 120,445		\$ 293
		120,445
120,445	\$ -	120,738
105,285	362	376,302
105,285	362	376,302
\$ 225,730	\$ 362	\$ 497,040

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2012

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
REVENUES				
Intergovernmental	\$ 18,792		\$ 11,097	
Charges for service		\$ 3,084		
Use of money and property		8	1,772	
Miscellaneous				\$ 5,308
Total revenues	18,792	3,092	12,869	5,308
EXPENDITURES				
Operating				
Physical health and social services	15,961			
County environment and education services				8,934
Governmental services to residents		7,057		
Total expenditures	15,961	7,057	-	8,934
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,831	(3,965)	12,869	(3,626)
FUND BALANCES, beginning of year	62,990	14,511	163,899	21,146
FUND BALANCES, end of year	\$ 65,821	\$ 10,546	\$ 176,768	\$ 17,520

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Revolving Loan Fund	Historic Preservation Fund	Total Nonmajor Special Revenue Funds
	\$ 500	\$ 30,389
		3,084
\$ 40,405		42,185
		5,308
<u>40,405</u>	<u>500</u>	<u>80,966</u>
		15,961
55,010	530	64,474
		7,057
<u>55,010</u>	<u>530</u>	<u>87,492</u>
(14,605)	(30)	(6,526)
<u>119,890</u>	<u>392</u>	<u>382,828</u>
<u>\$ 105,285</u>	<u>\$ 362</u>	<u>\$ 376,302</u>

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2012

	County Offices	Agricultural Extension Education	Assessor
ASSETS			
Cash and pooled investments			
County Treasurer		\$ 3,681	\$ 165,112
Other County officials	\$ 38,138		
Receivables			
Property tax			
Delinquent		2,922	5,984
Succeeding year		164,726	337,390
Accounts	2,098		
Due from other governments			
Total assets	\$ 40,236	\$ 171,329	\$ 508,486
LIABILITIES			
Accounts payable			\$ 11,556
Due to other governments	\$ 40,186	\$ 171,329	492,491
Trusts payable	50		
Accrued compensated absences			4,439
Total liabilities	\$ 40,236	\$ 171,329	\$ 508,486

See Independent Auditor's Report on the Supplementary Information.

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 178,909	\$ 13,993	\$ 91,533	\$ 21,098	\$ 316,878	\$ 790,846	\$ 1,582,050 38,138
154,221	11,418	264,973	202		34	439,754
7,570,627	580,208	3,376,481	110,634		1,914	12,141,980
			38,652		4,766	6,864
					85,744	124,396
<u>\$ 7,903,757</u>	<u>\$ 605,619</u>	<u>\$ 3,732,987</u>	<u>\$ 170,586</u>	<u>\$ 316,878</u>	<u>\$ 883,304</u>	<u>\$ 14,333,182</u>
\$ 7,903,757	\$ 605,619	\$ 3,732,987	\$ 170,586	\$ 316,878	\$ 24,791	\$ 36,347
					849,311	14,283,144
					7,229	7,279
					1,973	6,412
<u>\$ 7,903,757</u>	<u>\$ 605,619</u>	<u>\$ 3,732,987</u>	<u>\$ 170,586</u>	<u>\$ 316,878</u>	<u>\$ 883,304</u>	<u>\$ 14,333,182</u>

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2012

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>Assessor</u>
ASSETS AND LIABILITIES			
BALANCE, beginning of year	\$ 60,233	\$ 168,239	\$ 338,335
ADDITIONS			
Property and other County tax		181,491	356,607
State tax credits		6,206	5,932
Office fees and collections	299,026		981
Auto license, use tax and postage			
E-911 telephone surcharges			
Miscellaneous	1,088	127	121
Assessments			
Trusts	77,513		
Total additions	<u>377,627</u>	<u>187,824</u>	<u>363,641</u>
DEDUCTIONS			
Agency remittances			
To other funds	159,801		
To other governments	160,300	184,734	
Trusts paid out	76,435		
Miscellaneous	1,088		193,490
Total deductions	<u>397,624</u>	<u>184,734</u>	<u>193,490</u>
BALANCE, end of year	<u>\$ 40,236</u>	<u>\$ 171,329</u>	<u>\$ 508,486</u>

See Independent Auditor's Report on the Supplementary Information.

Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 8,024,568	\$ 653,693	\$ 3,885,743	\$ 121,987	\$ 291,471	\$ 1,023,508	\$ 14,567,777
8,343,332	642,224	3,393,377	362,114		11,885	13,291,030
289,294	23,760	110,327	3,290		4,454	443,263
					3,084	303,091
				3,662,303		3,662,303
5,850	482		2,300	4,642	262,828	262,828
					370,078	384,688
					34,028	34,028
						77,513
<u>8,638,476</u>	<u>666,466</u>	<u>3,503,704</u>	<u>367,704</u>	<u>3,666,945</u>	<u>686,357</u>	<u>18,458,744</u>
8,759,287	714,540	3,656,460	319,105	119,845		279,646
				3,521,693	532,568	17,848,687
					45,762	122,197
					248,231	442,809
<u>8,759,287</u>	<u>714,540</u>	<u>3,656,460</u>	<u>319,105</u>	<u>3,641,538</u>	<u>826,561</u>	<u>18,693,339</u>
\$ 7,903,757	\$ 605,619	\$ 3,732,987	\$ 170,586	\$ 316,878	\$ 883,304	\$ 14,333,182

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ALLAMAKEE COUNTY
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 All GOVERNMENTAL FUND TYPES
 Years Ended June 30,

	Modified Accrual		
	2012	2011	2010
REVENUES			
Property and other County tax	\$ 5,550,390	\$ 5,295,124	\$ 5,270,310
Local option sales tax	284,929	300,220	338,520
Interest and penalty on property tax	124,891	66,531	61,145
Intergovernmental	4,268,506	4,638,643	4,987,987
Licenses and permits	15,728	11,220	15,632
Charges for service	351,327	381,939	332,818
Use of money and property	217,488	257,408	211,050
Miscellaneous	218,179	149,508	76,261
Total revenues	\$ 11,031,438	\$ 11,100,593	\$ 11,293,723
EXPENDITURES			
Current			
Public safety and legal services	\$ 1,525,114	\$ 1,549,545	\$ 1,385,829
Physical health and social services	621,770	634,226	710,274
Mental health	2,105,026	1,772,883	1,631,391
County environment and education services	860,629	841,139	798,859
Roads and transportation	4,450,006	4,199,590	3,768,729
Governmental services to residents	407,493	382,580	384,924
Administrative services	862,042	821,090	801,998
Non-program	46,086	39,524	9,103
Debt service			
Capital project	1,078,210	918,760	987,268
Total expenditures	\$ 11,956,376	\$ 11,159,337	\$ 10,478,375

See Independent Auditor's Report on the Supplementary Information.

Modified Accrual					
2009	2008	2007	2006	2005	2004
\$ 5,007,863	\$ 4,831,728	\$ 4,723,709	\$ 4,151,995	\$ 4,089,645	\$ 3,105,241
283,115	253,398	271,291	220,325	253,372	222,151
68,163	49,985	49,838	52,497	54,286	28,902
4,965,659	4,034,913	3,970,501	4,001,987	4,051,657	2,788,622
53,150	52,413	42,871	44,272	44,341	3,895
336,452	435,027	392,180	376,677	357,358	356,000
246,604	326,701	389,971	303,211	260,670	64,405
43,467	120,246	90,975	964,671	139,065	193,443
<u>\$ 11,004,473</u>	<u>\$ 10,104,411</u>	<u>\$ 9,931,336</u>	<u>\$ 10,115,635</u>	<u>\$ 9,250,394</u>	<u>\$ 6,762,659</u>
\$ 1,317,526	\$ 1,235,498	\$ 1,213,881	\$ 1,142,122	\$ 1,088,415	\$ 879,651
670,713	539,900	534,490	512,612	567,575	450,526
1,711,713	1,941,090	1,806,281	1,655,661	1,559,726	1,099,206
812,731	813,482	791,667	2,007,914	687,490	641,948
4,667,894	3,775,558	3,443,693	3,544,348	3,496,989	2,655,035
348,289	332,739	325,189	419,335	346,985	211,876
825,036	863,707	833,405	816,362	728,677	696,011
23,281	85,795	52,270	54,085	131,532	4,110
					30,408
140,576	95,363	453,243	694,131	959,555	29,817
<u>\$ 10,517,759</u>	<u>\$ 9,683,132</u>	<u>\$ 9,454,119</u>	<u>\$ 10,846,570</u>	<u>\$ 9,566,944</u>	<u>\$ 6,698,588</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Supervisors
Allamakee County
Waukon, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County as of and for the year ended June 30, 2012, which collectively comprise Allamakee County's basic financial statements and have issued our report thereon dated February 13, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Allamakee County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Allamakee 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 an opinion on the effectiveness of Allamakee County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allamakee County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as discussed below that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1. Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Recommendation

The County Auditor office personnel should continue to obtain training in governmental accounting and reporting when possible.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response accepted.

2. Segregation of Duties

The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the County is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Recommendation

While we do recognize the County offices are not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

We segregate duties in our offices as much as possible, and will strive to improve internal controls where possible.

Conclusion

Response accepted.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Allamakee County in a separate letter dated February 13, 2013.

Allamakee County's responses to the findings identified in our audit are described above. We did not audit Allamakee County's responses and, accordingly, we express no opinion on them.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 13, 2013

MANAGEMENT LETTER

To the Board of Supervisors
Allamakee County
Waukon, Iowa

In planning and performing our audit of the financial statements of Allamakee County for the year ended June 30, 2012, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 13, 2013, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 13, 2013 on the financial statements of Allamakee County. Comments 1 and 10 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

As of June 30, 2012, two departments exceeded appropriations. Disbursements during the year ended June 30, 2012 in the County Attorney, Makee Manor, District Court and substance abuse departments exceeded appropriations prior to the budget amendment.

Recommendation

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

Response

Department appropriations will be monitored closer in the future.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in 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 and/or employees were noted.

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2012.

5. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

7. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

8. Resource Enhancement and Protection Certification

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

9. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

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

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

The County Extension Office received 4-H donations. These receipts were reflected in the Extension Council's accounting system and have been included in the annual budget or monthly financial reports. Disbursements from these proceeds were approved by the Extension Council prior to payment.

10. Property and Equipment Records

A record of the County's capital assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

To facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records.

Response

The County staff will work on improving the procedures.

Conclusion

Response accepted.

11. Auditor's Office

We noted the County's share of passport fees collected by the Auditor's office was remitted to the County Treasurer only once during the fiscal year. Also passport fees collected are not included on the Auditor's quarterly reports submitted to the Board of Supervisors.

Recommendation

To improve financial accountability and control, passport fees collected by the Auditor's office should be included on the quarterly reports submitted to the Board of Supervisors. Also quarterly payments should be made to the County's Treasurer's office for passport fees collected by the Auditor's office.

Response

The Auditor's office will make deposits of passport fees at least quarterly to the Treasurer's office. This procedure was implemented in January 2013 when the new County Auditor took office.

Conclusion

Response accepted.

12. Transfers

During our audit, we noted that rural basic transfer to secondary roads exceeded the maximum amount allowed under Chapter 331.429 of the Code of Iowa by \$11,252.

Recommendation

We recommend the County take extra care in calculating the maximum amount allowed to be transferred to secondary roads.

Response

The County will review calculations more carefully to ensure transfers do not exceed maximum amounts allowable.

Conclusion

Response accepted.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Allamakee County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.