

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2012

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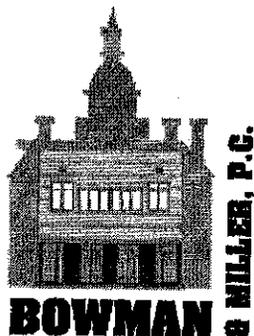
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Hardin County Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Johnson	Board of Supervisors	January 2013
Brian Lauterbauch	Board of Supervisors	January 2015
Lance Granzow	Board of Supervisors	January 2015
Renee McClellan	County Auditor	January 2013
Machel Eichmeier	County Treasurer	January 2015
Barbara Nuss	County Recorder	January 2015
Tim Smith	County Sheriff	January 2013
Randall Tilton	County Attorney	January 2015
Don Knoell	County Assessor	January 2013



CERTIFIED ♦ PUBLIC ♦ ACCOUNTANTS

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Independent Auditors' Report

To the Officials of Hardin County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2012 on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U. S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

November 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.1%, or approximately \$1.3 million, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$17,500, operating grants and contributions increased approximately \$91,000, capital grants and contributions increased approximately \$1.8 million and charges for service decreased approximately \$138,000.
- Program expenses of the County's governmental activities were 0.8%, or approximately \$139,000, more in fiscal year 2012 than in fiscal year 2011. Non-program expenses increased approximately \$638,000 and roads and transportation decreased approximately \$884,000.
- The County's net assets increased 2.6%, or approximately \$676,000, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hardin County's combined net assets increased from approximately \$26.5 million to approximately \$27 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 20,955	17,829
Capital assets	26,870	24,763
Total assets	<u>47,825</u>	<u>42,592</u>
Long-term liabilities	13,051	8,343
Other liabilities	7,603	7,754
Total liabilities	<u>20,654</u>	<u>16,097</u>
Net assets:		
Invested in capital assets, net of related debt	14,482	18,281
Restricted	10,476	5,713
Unrestricted	2,213	2,501
Total net assets	<u>\$ 27,171</u>	<u>26,495</u>

Net assets of Hardin County's governmental activities increased 2.6% (\$27 million compared to \$26.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$2.5 million at June 30, 2011 to approximately \$2.2 million at the end of this year, a decrease of 11.5%.

Changes in Net Assets of Governmental Activities		
	Year Ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 2,900,515	3,038,371
Operating grants, contributions, and restricted interest	4,528,087	4,436,978
Capital grants, contributions and restricted interest	2,428,092	652,938
General revenues:		
Property tax	6,426,449	6,408,946
Interest and penalty on property tax	71,011	73,321
State tax credits	234,489	248,508
Local option sales tax	630,507	718,786
Grants not restricted to specific purposes	-	14,920
Unrestricted investment earnings	121,672	140,979
Other general revenues	126,659	419,902
Total revenues	<u>17,467,481</u>	<u>16,153,649</u>
Program expenses:		
Public safety and legal services	3,627,557	3,693,795
Physical health and social services	201,373	205,787
Mental health	2,056,388	1,756,135
County environment and education	819,364	900,544
Roads and transportation	5,447,211	6,331,056
Governmental services to residents	438,937	436,131
Administration	1,807,324	1,670,763
Non-program	1,999,529	1,361,269
Interest on long-term debt	394,042	297,149
Total expenses	<u>16,791,725</u>	<u>16,652,629</u>
Increase (decrease) in net assets	675,756	(498,980)
Net assets beginning of year	<u>26,494,882</u>	<u>26,993,862</u>
Net assets end of year	<u>\$ 27,170,638</u>	<u>26,494,882</u>

Hardin County's net assets of governmental activities increased approximately \$676,000 during the year. Total revenues increased approximately \$1.3 million over the prior year, with property tax revenue up from the prior year approximately \$17,500 or 0.3%. Capital grants, contributions and restricted interest increased due to the Iowa Department of Transportation contributing approximately \$1.4 million more assets in fiscal year 2012 compared to fiscal year 2011. The total cost of all programs and services increased by 0.8% or approximately \$139,000.

The cost of all governmental activities this year was approximately \$16.8 million compared to approximately \$16.6 million last year. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities was only \$6.9 million because some of the cost was paid by those who directly benefited from the programs (\$2,900,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,956,000).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2012 from approximately \$8,128,000 to approximately \$9,857,000. The County paid for the remaining "public benefit" portion of governmental activities (\$6,935,000) with

taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$12.7 million, an increase of more than \$3 million above last year's total of approximately \$9.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest decline of approximately \$334,000 from the prior year to approximately \$3,809,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2 million, an increase of 19.6% from the prior year. The Special Revenue, Mental Health Fund balance decreased by approximately \$384,000 from the prior year.
- The revenues in the Special Revenue, Rural Services Fund decreased approximately \$350,000 due to a decrease in property tax revenue and local option sales tax revenue.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$510,000 due to federal bridge replacement funds being received in 2012. Expenditures decreased approximately \$545,000 due principally to a decrease in roadway maintenance. This increase in revenues and decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of approximately \$868,000.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- During the year ended June 30, 2012, the County issued \$3,715,000 of general obligation bonds to help finance a new wind farm project. The proceeds from the bond issue were placed in the Capital Projects Fund set up to account for this project.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget three times. The first amendment was made on November 15, 2011 and resulted in an increase in budgeted disbursements related to capital projects. The second budget amendment was made on February 29, 2012. This amendment was made to decrease expenditures related to capital projects. The third budget amendment was made on April 25, 2012. This amendment was made to provide for additional expenditures in certain County departments.

The County's receipts were \$545,824 more than budgeted, a variance of 3.5%.

Total disbursements were \$1,388,472 less than the amended budget. Actual disbursements for the county environment and education, capital projects, and roads and transportation functions were \$345,317, \$306,388 and \$282,945, respectively, less than budgeted. This was primarily due to anticipated capital projects being delayed.

Even with the budget amendments, the county exceeded the budgeted amount in the debt service function for the year ended June 30, 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Hardin County had approximately \$52 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$3.9 million or 8% over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,564	1,082
Construction in progress	601	894
Buildings and improvements	11,363	10,770
Machinery and equipment	8,616	7,935
Infrastructure	30,047	27,632
Total	\$ 52,191	48,313

This year's major additions included (in thousands):

Secondary road equipment	\$	195
Conservation land acquisition		320
Emergency management building		360
Sheriff's vehicles		90
Communication tower and equipment		335
Courthouse improvements		242
Roadway construction and maintenance		2,036
Total	\$	3,578

The County had depreciation expense of \$1,788,612 in fiscal 2012 and total accumulated depreciation of \$25,320,992 at June 30, 2012.

The County's fiscal year 2012 capital budget included \$2,521,000 for capital projects, principally for the construction of a new emergency management building, purchase of land for the conservation department, the purchase of new communication equipment, the construction of a new wind farm and new secondary road equipment purchases. The County issued additional debt in the amount of \$3,715,000 to finance the wind farm project. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2012, the County had approximately \$12,797,000 in general obligation bonds and other debt outstanding compared to approximately \$8,169,000 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2012	2011
General obligation bonds	\$ 9,230,000	6,060,000
Capital lease purchase agreements	168,786	421,807
Drainage warrants	3,050,566	1,335,526
Compensated absences	348,140	351,915
	<u>\$ 12,797,492</u>	<u>8,169,248</u>

The County continues to carry a general obligation bond rating of A1 assigned by national rating agencies to the County's debt since 2010. 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. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$65 million. More detailed information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the fiscal year 2013 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County anticipates some increase in total assessed valuations due to productivity factors of agricultural land. However, rollback factors may off-set some of these increases. The overall economy is improving. Several cities in Hardin County have adopted franchise fees on utilities in lieu of local option sales tax. This will cause a reduction in local option sales tax revenue for the County. Future growth in property tax may come from proposed electric utility lines through the County.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. There will be a need for additional funding to furnish the inside of the new emergency operations center.

The County will need to continue to monitor the amount of debt that it has issued. The County, in fiscal year 2013, lent their bonding capacity for a \$20 million bond issue to construct the new Ellsworth Municipal Hospital. The bonds will be repaid from future hospital revenues.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin 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, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa, 50627.

Hardin County
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities
Assets	
Cash and pooled investments	\$ 13,013,127
Receivables:	
Property tax:	
Delinquent	31,021
Succeeding year	6,454,286
Interest and penalty on property tax	120,605
Accounts	17,668
Accrued interest	9,810
Drainage assessments	55,712
Due from other governments	724,959
Inventories	527,410
Capital assets (net of accumulated depreciation)	26,870,378
Total assets	47,824,976
Liabilities	
Accounts payable	635,255
Accrued interest payable	49,638
Salaries and benefits payable	114,873
Due to other governments	349,512
Deferred revenue:	
Succeeding year property tax	6,454,286
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	139,009
General obligation bonds	565,000
Compensated absences	348,140
Portion due or payable after one year:	
Capital lease purchase agreements	29,777
General obligation bonds	8,665,000
Drainage warrants/drainage improvement certificates	3,050,566
Net OPEB liability	253,282
Total liabilities	20,654,338
Net Assets	
Invested in capital assets, net of related debt	14,481,531
Restricted for:	
Supplemental levy purposes	642,777
Mental health purposes	940,989
Rural services purposes	1,066,408
Secondary roads purposes	1,494,684
Debt service	155,976
Capital projects	4,342,660
Other purposes	1,832,913
Unrestricted	2,212,700
Total net assets	\$ 27,170,638

Hardin County
Statement of Activities
Year ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,627,557	2,009,092	-	-
Physical health and social services	201,373	1,101	24,988	-
Mental health	2,056,388	346,393	662,732	-
County environment and education	819,364	61,579	234,959	-
Roads and transportation	5,447,211	134,674	3,527,856	2,029,753
Governmental services to residents	438,937	329,755	224	-
Administration	1,807,324	17,921	77,328	325,266
Non-program	1,999,529	-	-	73,073
Interest on long-term debt	394,042	-	-	-
Total	\$ 16,791,725	2,900,515	4,528,087	2,428,092

General Revenues:

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Assets</u>
(1,618,465)
(175,284)
(1,047,263)
(522,826)
245,072
(108,958)
(1,386,809)
(1,926,456)
<u>(394,042)</u>
<u>(6,935,031)</u>
5,969,625
262,992
193,832
71,011
234,489
630,507
121,672
126,659
<u>7,610,787</u>
675,756
<u>26,494,882</u>
<u>\$ 27,170,638</u>

Hardin County
Balance Sheet
Governmental Funds
June 30, 2012

Assets	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 3,627,481	1,293,608	990,991	1,200,491
Receivables:				
Property tax:				
Delinquent	19,622	3,449	6,445	-
Succeeding year	3,982,032	700,000	1,448,800	-
Interest and penalty on property tax	120,605	-	-	-
Accounts	2,178	-	-	15,490
Accrued interest	9,810	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	314,264	29,237	80,567	274,035
Inventories	-	-	-	527,410
Total assets	\$ 8,075,992	2,026,294	2,526,803	2,017,426
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 89,546	20,878	584	342,769
Salaries and benefits payable	51,503	1,749	4,581	57,040
Due to other governments	3,973	337,382	-	8,157
Deferred revenue:				
Succeeding year property tax	3,982,032	700,000	1,448,800	-
Other	139,901	3,426	6,430	-
Total liabilities	4,266,955	1,063,435	1,460,395	407,966
Fund balances:				
Nonspendable:				
Inventories	-	-	-	527,410
Restricted for:				
Supplemental levy purposes	642,777	-	-	-
Mental health purposes	-	962,859	-	-
Rural services purposes	-	-	1,066,408	-
Secondary road purposes	-	-	-	1,082,050
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Cemetery levy	59,835	-	-	-
Conservation land acquisition	1,979	-	-	-
Other purposes	-	-	-	-
Assigned for conservation resources	740,328	-	-	-
Unassigned	2,364,118	-	-	-
Total fund balances	3,809,037	962,859	1,066,408	1,609,460
Total liabilities and fund balances	\$ 8,075,992	2,026,294	2,526,803	2,017,426

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
208,132	4,423,523	693,717	12,437,943
1,505	-	-	31,021
323,454	-	-	6,454,286
-	-	-	120,605
-	-	-	17,668
-	-	-	9,810
-	-	55,712	55,712
-	26,856	-	724,959
-	-	-	527,410
533,091	4,450,379	749,429	20,379,414
-	107,719	-	561,496
-	-	-	114,873
-	-	-	349,512
323,454	-	-	6,454,286
1,493	-	55,712	206,962
324,947	107,719	55,712	7,687,129
-	-	-	527,410
-	-	-	642,777
-	-	-	962,859
-	-	-	1,066,408
-	-	-	1,082,050
-	-	175,632	175,632
208,144	-	-	208,144
-	4,342,660	-	4,342,660
-	-	-	59,835
-	-	-	1,979
-	-	518,085	518,085
-	-	-	740,328
-	-	-	2,364,118
208,144	4,342,660	693,717	12,692,285
533,091	4,450,379	749,429	20,379,414

Hardin County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Assets
 June 30, 2012

Exhibit D

Total governmental fund balances (page 15) \$ 12,692,285

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$52,191,370 and the accumulated depreciation is \$25,320,992. 26,870,378

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 206,962

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 501,424

Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences payable, accrued interest payable, other post employment benefits and drainage warrants/drainage improvement certificates payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (13,100,411)

Net assets of governmental activities (page 11) \$ 27,170,638

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,644,318	692,133	1,633,300	-
Local option sales tax	-	-	472,880	-
Interest and penalty on property tax	54,121	-	-	-
Intergovernmental	2,350,459	1,011,639	56,870	3,962,782
Licenses and permits	17,548	-	-	8,734
Charges for service	490,909	-	-	-
Use of money and property	176,347	-	-	-
Miscellaneous	117,855	709	46	125,940
Total revenues	<u>6,851,557</u>	<u>1,704,481</u>	<u>2,163,096</u>	<u>4,097,456</u>
Expenditures:				
Operating:				
Public safety and legal services	3,403,039	-	115,470	-
Physical health and social services	207,052	-	-	-
Mental health	-	2,088,962	-	-
County environment and education	507,456	-	270,891	-
Roads and transportation	-	-	146,606	4,402,136
Governmental services to residents	455,613	-	1,524	-
Administration	1,702,756	-	-	-
Non-program	105,484	-	2,223	-
Debt service	-	-	-	-
Capital projects	308,013	-	-	522,194
Total expenditures	<u>6,689,413</u>	<u>2,088,962</u>	<u>536,714</u>	<u>4,924,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,144</u>	<u>(384,481)</u>	<u>1,626,382</u>	<u>(826,874)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	1,695,096
Operating transfers out	(562,481)	-	(1,559,780)	-
Capital lease purchase agreement	66,375	-	-	-
General obligation bonds issued	-	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	<u>(496,106)</u>	<u>-</u>	<u>(1,559,780)</u>	<u>1,695,096</u>
Net change in fund balances	<u>(333,962)</u>	<u>(384,481)</u>	<u>66,602</u>	<u>868,222</u>
Fund balances beginning of year	<u>4,142,999</u>	<u>1,347,340</u>	<u>999,806</u>	<u>741,238</u>
Fund balances end of year	<u>\$ 3,809,037</u>	<u>962,859</u>	<u>1,066,408</u>	<u>1,609,460</u>

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
262,699	-	193,832	6,426,282
-	157,627	-	630,507
-	-	-	54,121
9,749	279,656	12,149	7,683,304
-	-	-	26,282
-	-	3,802	494,711
-	21,389	810	198,546
-	24,221	75,703	344,474
272,448	482,893	286,296	15,858,227
-	-	-	3,518,509
-	-	-	207,052
-	-	-	2,088,962
-	-	8,540	786,887
-	-	-	4,548,742
-	-	-	457,137
-	-	-	1,702,756
-	-	1,779,441	1,887,148
709,195	-	225,625	934,820
-	1,439,715	-	2,269,922
709,195	1,439,715	2,013,606	18,401,935
(436,747)	(956,822)	(1,727,310)	(2,543,708)
412,165	-	86,325	2,193,586
(71,325)	-	-	(2,193,586)
-	-	-	66,375
76,609	3,638,391	-	3,715,000
-	-	1,715,040	1,715,040
417,449	3,638,391	1,801,365	5,496,415
(19,298)	2,681,569	74,055	2,952,707
227,442	1,661,091	619,662	9,739,578
208,144	4,342,660	693,717	12,692,285

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year ended June 30, 2012

Net change in fund balances - Total governmental funds (page 18) \$ 2,952,707

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

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

Expenditures for capital assets	\$ 2,300,923	
Capital assets contributed by the Iowa Department of Transportation	1,594,827	
Depreciation expense	<u>(1,788,612)</u>	2,107,138

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

Property tax	17,057	
Other	<u>(2,630)</u>	14,427

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

Issued	(5,496,415)	
Repaid	<u>864,396</u>	(4,632,019)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	3,775	
Other postemployment benefits	(79,806)	
Interest on long-term debt	<u>(4,222)</u>	(80,253)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds.

The change in net assets of the Internal Service Fund is reported with governmental activities.

313,756

Change in net assets of governmental activities (page 13)

\$ 675,756

Hardin County
Statement of Net Assets
Proprietary Fund
June 30, 2012

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 575,183
Liabilities	
Accounts payable	<u>73,759</u>
Net Assets	
Unrestricted	<u><u>\$ 501,424</u></u>

Hardin County
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2012

Exhibit H

		Internal Service - Employee Group Health
Operating revenues:		
Reimbursements from operating funds	\$	1,466,000
Reimbursements from employees and others		596,883
Insurance reimbursements		135,751
Total operating revenues		2,198,634
Operating expenses:		
Medical claims	\$	1,453,959
Insurance premiums		302,707
Administrative fees		90,457
Miscellaneous		39,288
Operating income		1,886,411
		312,223
Non-operating revenue:		
Interest income		1,533
Net income		313,756
Net assets beginning of year		187,668
Net assets end of year	\$	501,424

Hardin County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

Exhibit I

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,466,000
Cash received from employees and others	732,634
Cash payments to suppliers for services	(1,985,021)
Net cash provided by operating activities	213,613
Cash flows from investing activities:	
Interest on investments	1,533
Net increase in cash and cash equivalents	215,146
Cash and cash equivalents beginning of year	360,037
Cash and cash equivalents end of year	\$ 575,183
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 312,223
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(98,610)
Net cash provided by operating activities	\$ 213,613

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Exhibit J

Assets

Cash and pooled investments:

County Treasurer	\$ 1,229,102
Other County officials	165,167

Receivables:

Property tax receivable:

Delinquent	94,584
Succeeding year	17,930,804

Accounts	20,777
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Due from other governments	9,147
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Total assets	<u>19,449,581</u>
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Liabilities

Accounts payable	34,407
------------------	--------

Due to other governments	19,243,163
--------------------------	------------

Trusts payable	157,189
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Compensated absences	14,822
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Total liabilities	<u>19,449,581</u>
--------------------------	-------------------

Net Assets	<u>\$ -</u>
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Hardin County
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

One hundred sixty-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Hardin County Solid Waste Commission, Rural Iowa Waste Management Association, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission and Central Iowa Juvenile Detention Center.

B. Basis of Presentation

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

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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.

Hardin County
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

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

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

Hardin County
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies (continued)**

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function and disbursements in a department exceeded the amount appropriated.

(2) **Cash and Pooled Investments**

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,705 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

Hardin County
Notes to Financial Statements
June 30, 2012

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services General	\$ 1,559,780 135,316 <u>1,695,096</u>
Special Revenue: Carbo Tech TIF	General	15,000
Special Revenue: Garden Wind Farm TIF	Debt Service	71,325
Debt Service	General	412,165
Total		<u>\$ 2,193,586</u>

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

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$408,081, \$357,144 and \$327,768, respectively, equal to the required contributions for each year.

Hardin County
Notes to Financial Statements
June 30, 2012

(5) 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 97 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 115,018
Interest on net OPEB obligation	7,806
Adjustment to annual required contribution	<u>(6,652)</u>
Annual OPEB cost	116,172
Contributions made	<u>(36,366)</u>
Increase in net OPEB obligation	79,806
Net OPEB obligation beginning of year	<u>173,476</u>
Net OPEB obligation end of year	<u><u>\$ 253,282</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 ending June 30, 2012, plan members eligible for benefits contributed \$36,366, or 100%, of the premium costs.

Hardin County
Notes to Financial Statements
June 30, 2012

(5) Other Postemployment Benefits (OPEB) (continued)

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

Year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 115,018	17%	\$ 94,941
2011	112,822	30%	173,476
2012	116,172	31%	253,282

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,097,804, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,097,804. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,259,583 and the ratio of the UAAL to covered payroll was 25.8%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Hardin County
Notes to Financial Statements
June 30, 2012

(5) Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan are \$458 per month for retirees and \$1,393 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 3,973
Special Revenue:		
Secondary Roads	Services	8,157
Mental Health	Services	337,382
		<u>345,539</u>
Total for governmental funds		<u>\$ 349,512</u>
Agency:		
County Assessor	Collections	\$ 266,972
Schools		10,846,430
Community Colleges		1,519,241
Corporations		5,087,019
Townships		385,628
Auto License and Use Tax		389,063
E911 Surcharge		338,205
All other		410,605
Total for agency funds		<u>\$ 19,243,163</u>

Hardin County
Notes to Financial Statements
June 30, 2012

(7) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,081,751	482,707	-	1,564,458
Construction in progress	894,134	203,297	495,965	601,466
Total capital assets not being depreciated	<u>1,975,885</u>	<u>686,004</u>	<u>495,965</u>	<u>2,165,924</u>
Capital assets being depreciated:				
Buildings and improvements	10,770,370	592,209	-	11,362,579
Equipment and vehicles	7,934,418	708,149	26,762	8,615,805
Infrastructure, road network	27,632,151	2,414,911	-	30,047,062
Total capital assets being depreciated	<u>46,336,939</u>	<u>3,715,269</u>	<u>26,762</u>	<u>50,025,446</u>
Less accumulated depreciation for:				
Buildings and improvements	2,787,871	248,841	-	3,036,712
Equipment and vehicles	4,676,912	573,388	17,204	5,233,096
Infrastructure, road network	16,084,801	966,383	-	17,051,184
Total accumulated depreciation	<u>23,549,584</u>	<u>1,788,612</u>	<u>17,204</u>	<u>25,320,992</u>
Total capital assets being depreciated, net	<u>22,787,355</u>	<u>1,926,657</u>	<u>9,558</u>	<u>24,704,454</u>
Governmental activities capital assets, net	<u>\$ 24,763,240</u>	<u>2,612,661</u>	<u>505,523</u>	<u>26,870,378</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 296,571
Physical health and social services	4,013
County environment and education	51,185
Roads and transportation	1,339,270
Governmental services to residents	888
Administration	96,685
Total depreciation expense - governmental activities	<u>\$ 1,788,612</u>

Hardin County
Notes to Financial Statements
June 30, 2012

(8) Long-Term Liabilities

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

	General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Net OPEB Liability	Total
Balance beginning of year	\$ 6,060,000	421,807	351,915	1,335,526	173,476	8,342,724
Increases	3,715,000	66,375	12,448	1,715,040	79,806	5,588,669
Decreases	545,000	319,396	16,223	-	-	880,619
Balance end of year	\$ 9,230,000	168,786	348,140	3,050,566	253,282	13,050,774
Due within one year	\$ 565,000	139,009	348,140	-	-	1,052,149

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease two vehicles for the conservation department, ten sheriff vehicles and an excavator with historical costs of \$53,405, \$217,737 and \$253,367 respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.90% to 7.35% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2012.

Year ending June 30,	Sheriff Vehicles	Excavator	Conservation Vehicles	Total
2013	\$ 45,546	84,456	14,532	144,534
2014	23,554	-	8,247	31,801
Total minimum lease payments	69,100	84,456	22,779	176,335
Less amount representing interest	5,532	-	2,017	7,549
Present value of net minimum lease payments	\$ 63,568	84,456	20,762	168,786

Payments under capital lease purchase agreements totaled \$326,691 for the year ended June 30, 2012.

Hardin County
Notes to Financial Statements
June 30, 2012

(8) Long-Term Liabilities (continued)

Drainage Warrants/Drainage Improvement Certificates Payable

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

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Bonds Payable

A summary of the County's June 30, 2012 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.80 - 5.40 %	\$ 565,000	268,085	833,085
2014	0.80 - 5.40	755,000	251,609	1,006,609
2015	1.05 - 3.63	780,000	232,366	1,012,366
2016	1.35 - 3.75	820,000	213,295	1,033,295
2017	1.70 - 4.00	845,000	190,931	1,035,931
2018-2022	1.95 - 4.00	2,920,000	648,065	3,568,065
2023-2027	3.00 - 4.00	2,340,000	263,850	2,603,850
2028-2029	4.00	205,000	12,398	217,398
Total		\$ 9,230,000	2,080,599	11,310,599

During the year ended June 30, 2012, the County issued \$3,715,000 of general obligation bonds and retired \$545,000 of bonds.

Hardin County
Notes to Financial Statements
June 30, 2012

(9) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hardin County Employee Group Health Fund are recorded as expenditures from the operating fund. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Hardin County Employee Group Health Fund. The County's contribution for the year ended June 30, 2012 was \$1,466,000.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$73,759, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$501,424 at June 30, 2012 and is reported as a designation of the Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	172,369
Incurred claims (including claims incurred but not reported at June 30, 2012)		1,453,959
Payments on claims during the fiscal year		<u>1,552,569</u>
Unpaid claims end of year	\$	<u><u>73,759</u></u>

Hardin County
Notes to Financial Statements
June 30, 2012

(10) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a postage machines through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on various dates through December 2016. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year ending June 30,	Annual Rent Due
2013	\$ 26,653
2014	20,974
2015	15,474
2016	4,122
2017	-
Total	<u>\$ 67,223</u>

The total annual lease costs for the year ended June 30, 2012 were \$28,697.

(11) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

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

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2012, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

Hardin County
Notes to Financial Statements
June 30, 2012

(11) Risk Management (continued)

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2012, 2011 and 2010, the Pool reported a surplus of assets over liabilities.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$253,413.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(12) Subsequent Event

On October 3, 2012 the Hardin County Board of Supervisors approved the issuance of General Obligation Urban Renewal Bonds in the amount of \$20 million to finance the construction of a new hospital in Iowa Falls. The bond issuance was approved by the taxpayers at the November 2011 general election.

Management has evaluated subsequent events through November 26, 2012, the date on which the financial statements were available to be issued.

Required Supplementary Information

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

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 7,092,909	-
Interest and penalty on property tax	58,353	-
Intergovernmental	7,588,294	-
Licenses and permits	19,744	-
Charges for service	538,511	-
Use of money and property	266,711	-
Miscellaneous	622,554	75,703
Total receipts	16,187,076	75,703
Disbursements:		
Public safety and legal services	3,421,626	-
Physical health and social services	201,495	-
Mental health	1,946,691	-
County environment and education	803,644	-
Roads and transportation	4,772,423	-
Governmental services to residents	456,723	-
Administration	1,703,024	-
Non-program	1,930,097	1,779,441
Debt service	934,821	-
Capital projects	2,214,872	-
Total disbursements	18,385,416	1,779,441
Excess (deficiency) of receipts over (under) disbursements	(2,198,340)	(1,703,738)
Other financing sources, net	5,340,852	1,715,040
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,142,512	11,302
Balance beginning of year	9,295,431	164,330
Balance end of year	\$ 12,437,943	175,632

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
7,092,909	7,066,665	7,066,665	26,244
58,353	37,000	37,000	21,353
7,588,294	9,988,701	7,493,701	94,593
19,744	14,200	14,200	5,544
538,511	407,705	407,705	130,806
266,711	165,800	165,800	100,911
546,851	417,025	380,478	166,373
16,111,373	18,097,096	15,565,549	545,824
3,421,626	3,527,337	3,527,337	105,711
201,495	262,093	267,093	65,598
1,946,691	1,950,470	1,950,470	3,779
803,644	1,148,961	1,148,961	345,317
4,772,423	5,055,368	5,055,368	282,945
456,723	480,656	480,656	23,933
1,703,024	1,615,759	1,865,759	162,735
150,656	259,180	259,180	108,524
934,821	918,363	918,363	(16,458)
2,214,872	3,456,800	2,521,260	306,388
16,605,975	18,674,987	17,994,447	1,388,472
(494,602)	(577,891)	(2,428,898)	1,934,296
3,625,812	-	3,616,152	9,660
3,131,210	(577,891)	1,187,254	1,943,956
9,131,101	8,162,614	8,162,614	968,487
12,262,311	7,584,723	9,349,868	2,912,443

Hardin County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 16,187,076	(328,849)	15,858,227
Expenditures	18,385,416	16,519	18,401,935
Net	(2,198,340)	(345,368)	(2,543,708)
Other financing sources, net	5,340,852	155,563	5,496,415
Beginning fund balances	9,295,431	444,147	9,739,578
Ending fund balances	\$ 12,437,943	254,342	12,692,285

Hardin 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 blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments decreased budgeted disbursements by \$680,540. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceed the amount budgeted in the debt service function and disbursements in a department exceeded the amount appropriated.

Hardin County
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

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)
July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,071,595	27%
July 1, 2010	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 3,966,060	27.7%
July 1, 2011	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,259,583	25.8%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets			
Cash and pooled investments	\$ 109,231	345,128	551
Drainage assesments receivable	-	-	-
Total assets	\$ 109,231	345,128	551
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue	\$ -	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	109,231	345,128	551
Total fund balances	109,231	345,128	551
Total liabilities and fund balances	\$ 109,231	345,128	551

State Forfeiture Funds	County Recorder's Records Management	Drainage Districts	Total
7,789	55,386	175,632	693,717
-	-	55,712	55,712
7,789	55,386	231,344	749,429
-	-	55,712	55,712
-	-	55,712	55,712
-	-	175,632	175,632
7,789	55,386	-	518,085
7,789	55,386	175,632	693,717
7,789	55,386	231,344	749,429

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2012

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Revenues:			
Property and other county tax	\$ -	176,548	17,284
Intergovernmental	12,149	-	-
Charges for service	-	-	-
Use of money and property	586	-	-
Miscellaneous	-	-	-
Total revenues	12,735	176,548	17,284
Expenditures:			
Operating:			
County environment and education	8,540	-	-
Non-program	-	-	-
Debt service	-	118,940	35,360
Total expenditures	8,540	118,940	35,360
Excess (deficiency) of revenues over (under) expenditures	4,195	57,608	(18,076)
Other financing sources:			
Operating transfers in	-	-	15,000
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources	-	-	15,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,195	57,608	(3,076)
Fund balances beginning of year	105,036	287,520	3,627
Fund balances end of year	\$ 109,231	345,128	551

Garden Wind Farm TIF	State Forfeiture Funds	County		Total
		Recorder's Records Management	Drainage Districts	
-	-	-	-	193,832
-	-	-	-	12,149
-	-	3,802	-	3,802
-	-	224	-	810
-	-	-	75,703	75,703
-	-	4,026	75,703	286,296
-	-	-	-	8,540
-	-	-	1,779,441	1,779,441
71,325	-	-	-	225,625
71,325	-	-	1,779,441	2,013,606
(71,325)	-	4,026	(1,703,738)	(1,727,310)
71,325	-	-	-	86,325
-	-	-	1,715,040	1,715,040
71,325	-	-	1,715,040	1,801,365
-	-	4,026	11,302	74,055
-	7,789	51,360	164,330	619,662
-	7,789	55,386	175,632	693,717

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,340	82,383	137,108	18,324
Other County officials	165,167	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,020	1,036	50,172	7,328
Succeeding year	-	207,000	210,313	10,659,150	1,493,589
Accounts	1,308	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 166,475	210,360	293,732	10,846,430	1,519,241
Liabilities					
Accounts payable	\$ -	-	12,837	-	-
Due to other governments	21,822	210,360	266,972	10,846,430	1,519,241
Trusts payable	144,653	-	-	-	-
Compensated absences	-	-	13,923	-	-
Total liabilities	\$ 166,475	210,360	293,732	10,846,430	1,519,241

Schedule 3

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
76,029	3,410	30	7,182	389,063	91,102
-	-	-	-	-	-
32,969	2,046	13	-	-	-
4,978,021	380,172	2,559	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,087,019</u>	<u>385,628</u>	<u>2,602</u>	<u>7,182</u>	<u>389,063</u>	<u>91,102</u>
-	-	-	-	-	5,296
5,087,019	385,628	2,602	7,182	389,063	84,907
-	-	-	-	-	-
-	-	-	-	-	899
<u>5,087,019</u>	<u>385,628</u>	<u>2,602</u>	<u>7,182</u>	<u>389,063</u>	<u>91,102</u>

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2012

	E911 Surcharge	Third Party Payees	Drainage Districts	Other	Total
Assets					
Cash and pooled investments:					
County Treasurer	\$ 325,863	6,776	15,307	74,185	1,229,102
Other County officials	-	-	-	-	165,167
Receivables:					
Property tax:					
Delinquent	-	-	-	-	94,584
Succeeding year	-	-	-	-	17,930,804
Accounts	19,469	-	-	-	20,777
Due from other governments	9,147	-	-	-	9,147
Total assets	\$ 354,479	6,776	15,307	74,185	19,449,581
Liabilities					
Accounts payable	\$ 16,274	-	-	-	34,407
Due to other governments	338,205	-	15,307	68,425	19,243,163
Trusts payable	-	6,776	-	5,760	157,189
Compensated absences	-	-	-	-	14,822
Total liabilities	\$ 354,479	6,776	15,307	74,185	19,449,581

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 171,044	205,777	262,512	11,867,633	1,632,787
Additions:					
Property and other county tax	-	200,005	202,372	10,250,473	1,445,337
E911 surcharge	-	-	-	-	-
State tax credits	-	7,517	8,419	440,237	58,649
Grants	-	-	-	-	-
Interest	799	-	-	-	-
Office fees and collections	2,080,261	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	501,682	-	-	-	-
Miscellaneous	-	-	16	-	-
Total additions	2,582,742	207,522	210,807	10,690,710	1,503,986
Deductions:					
Agency remittances:					
To other funds	1,925,287	-	-	-	-
To other governments	150,989	202,939	179,587	11,711,913	1,617,532
Trusts paid out	511,035	-	-	-	-
Total deductions	2,587,311	202,939	179,587	11,711,913	1,617,532
Balances end of year	\$ 166,475	210,360	293,732	10,846,430	1,519,241

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Local Emergency Management Services
4,687,358	385,605	2,630	3,786	471,868	-	56,760
5,906,304	368,006	2,464	-	-	-	-
-	-	-	-	-	-	-
206,947	12,778	96	-	-	-	-
-	-	-	-	-	-	24,200
-	-	-	-	-	-	-
-	-	-	-	5,338,244	-	-
-	-	-	-	-	44,136	-
-	-	-	33,218	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	76,705
6,113,251	380,784	2,560	33,218	5,338,244	44,136	100,905
-	-	-	-	172,175	23,009	-
5,713,590	380,761	2,588	29,822	5,248,874	21,127	66,563
-	-	-	-	-	-	-
5,713,590	380,761	2,588	29,822	5,421,049	44,136	66,563
5,087,019	385,628	2,602	7,182	389,063	-	91,102

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year ended June 30, 2012

	Drainage Districts	E911 Surcharge	Tax Sale Redemption Non-County	Third Party Payees
Assets and Liabilities				
Balances beginning of year	\$ 14,660	339,311	-	14,792
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	126,520	-	-
State tax credits	-	-	-	-
Grants	-	-	-	-
Interest	-	1,776	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	10,922	-	-	-
Trusts	-	-	258,588	81,348
Miscellaneous	-	-	-	-
Total additions	10,922	128,296	258,588	81,348
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	10,275	113,128	258,588	-
Trusts paid out	-	-	-	89,364
Total deductions	10,275	113,128	258,588	89,364
Balances end of year	\$ 15,307	354,479	-	6,776

Other	Total
76,863	20,193,386

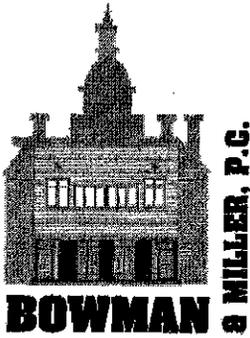
-	18,374,961
-	126,520
-	734,643
-	24,200
-	2,575
-	2,080,261
-	5,338,244
-	44,136
-	44,140
14,913	856,531
3,802	80,523
<u>18,715</u>	<u>27,706,734</u>

-	2,120,471
21,393	25,729,669
-	600,399
<u>21,393</u>	<u>28,450,539</u>
<u>74,185</u>	<u>19,449,581</u>

Hardin County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 6,426,282	6,438,937	5,983,894	5,850,891
Local option sales tax	630,507	718,785	645,776	693,063
Interest and penalty on property tax	54,121	54,368	89,748	47,507
Intergovernmental	7,683,304	7,503,886	8,039,328	7,643,605
Licenses and permits	26,282	12,712	27,286	13,592
Charges for service	494,711	480,505	419,077	457,559
Use of money and property	198,546	202,184	210,894	252,293
Miscellaneous	344,474	556,342	543,793	165,696
Total	\$ 15,858,227	15,967,719	15,959,796	15,124,206
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,518,509	3,423,543	3,378,278	3,220,284
Physical health and social services	207,052	211,600	264,083	300,989
Mental health	2,088,962	1,747,233	1,754,696	1,932,986
County environment and education	786,887	929,516	874,483	987,371
Roads and transportation	4,548,742	5,606,480	4,949,674	5,135,149
Governmental services to residents	457,137	409,986	441,706	421,998
Administration	1,702,756	1,469,657	1,865,299	1,439,782
Non-program	1,887,148	1,338,296	220,027	134,945
Debt service	934,820	803,307	2,027,239	623,320
Capital projects	2,269,922	1,548,898	1,583,856	201,587
Total	\$ 18,401,935	17,488,516	17,359,341	14,398,411

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
5,447,040	5,112,964	4,577,109	3,980,093	4,654,455	4,453,073
635,029	698,188	633,861	492,430	564,253	519,044
42,934	39,494	38,510	38,758	41,442	38,503
6,494,968	6,744,867	6,900,497	5,625,385	5,580,865	5,549,483
18,901	10,340	8,167	7,212	4,203	5,950
468,832	454,697	487,803	424,210	455,355	427,616
347,759	364,731	245,267	153,148	167,378	238,403
204,634	142,023	191,215	160,412	221,207	234,694
<u>13,660,097</u>	<u>13,567,304</u>	<u>13,082,429</u>	<u>10,881,648</u>	<u>11,689,158</u>	<u>11,466,766</u>
3,044,804	3,032,813	2,885,183	2,613,136	2,610,147	2,646,807
261,448	285,423	285,407	287,207	279,862	312,188
2,003,263	1,875,028	1,804,829	1,726,207	1,597,490	1,678,845
805,515	802,147	1,341,057	656,683	704,672	719,988
4,105,451	4,032,563	4,666,208	4,526,263	4,008,562	4,834,721
424,006	370,894	382,062	308,862	305,226	287,908
1,359,171	1,403,430	1,201,490	1,079,749	1,065,655	1,046,562
63,070	78,542	201,437	226,005	1,746,781	529,323
597,781	585,589	521,988	430,939	434,295	436,286
422,541	599,160	137,082	57,300	83,579	398,474
<u>13,087,050</u>	<u>13,065,589</u>	<u>13,426,743</u>	<u>11,912,351</u>	<u>12,836,269</u>	<u>12,891,102</u>



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

To the Officials of Hardin County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged by governance. We noted no items that we consider to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hardin County and other parties to whom Hardin County may report, including 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 personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

November 26, 2012

Hardin County
Schedule of Findings
Year ended June 30, 2012

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County
Schedule of Findings
Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

II-A-12 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder
(2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Recorder
(3) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Recommendation - We realize that segregation of duties is difficult. However, the Recorder should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The Recorder should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Hardin County
Schedule of Findings
Year ended June 30, 2012

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

Response – In September 2010, a part-time clerk was added to the staff of the Recorder's office. Her duties have expanded this past year to include scanning of documents and maintenance of the mortgage card system, in addition to the recording of documents. None of these duties involve the handling of cash or receipts. The recorder or deputy are still responsible for the preparation of the daily deposit and daily balancing, and the recorder still bears the main responsibility of report and check preparation. The daily depositing and balancing is rotated on an occasional basis and at random times. With only two full-time employees (recorder and deputy recorder), it is difficult to fully segregate all functions of the office.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the debt service function. Disbursements in a department exceeded the amount appropriated..

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

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

Response – The Board of Supervisors approved a resolution for inter-fund operating transfers but inadvertently overlooked doing a resolution to increase the appropriations. Normally both resolutions are approved together. More care will be taken by the Auditor's office in the future to ensure that the appropriations are approved at the same time as the transfers and/or amendments to the budget.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Hardin County
 Schedule of Findings
 Year ended June 30, 2012

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

III-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Mesch, maintenance director of the County, owner of J&C Enterprises	Cleaning services for the courthouse	\$ <u>30,000</u>

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

III-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

III-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

III-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

Hardin County
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal
Nathan Minkel, CPA, Staff
Diana Swanson, Staff