

JOHNSON COUNTY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS  
JUNE 30, 2012

JOHNSON COUNTY, IOWA

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JOHNSON COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally Stutsman	Board of Supervisors	December 2014
Janelle Rettig	Board of Supervisors	December 2014
Rod Sullivan	Board of Supervisors	December 2012
Pat Harney	Board of Supervisors	December 2012
Terrence Neuzil	Board of Supervisors	December 2012
Tom Slockett	County Auditor	December 2012
Tom Kriz	County Treasurer	December 2014
Kim Painter	County Recorder	December 2014
Lonny Pulkrabek	County Sheriff	December 2012
Janet Lyness	County Attorney	December 2014
Bill Greazel	County Assessor	Appointed
Dennis Baldrige	City Assessor	Appointed



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Johnson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson 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 Johnson County, Iowa'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 Johnson County, Iowa 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 March 28, 2013 on our consideration of Johnson County, Iowa'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 3 through 9 and 37 through 40 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 Johnson County, Iowa'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 three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2008 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations 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 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.

Ottumwa, Iowa  
March 28, 2013

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin & Co. P.C.*

# Johnson County, Iowa

## Management's Discussion and Analysis (MD&A)

### June 30, 2012

Johnson County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the 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

- Total net assets were \$93,374,367 at June 30, 2012. This was an increase of \$10,425,716 (12.6%) compared to the prior fiscal year.
- Overall revenues of governmental activities increased 4.0% or \$2,868,154 from fiscal year 2011. Property tax increased \$267,356, operating grants and contributions increased \$5,676,459, charges for services increased \$207,185, unrestricted investment earnings decreased \$36,991, capital grants and contributions decreased \$4,619,126 and miscellaneous receipts increased \$1,058,299.
- Program expenses decreased 0.8% overall, or \$541,640 from fiscal year 2011. Public safety and legal services decreased \$673,990, physical health and social services decreased \$176,549, mental health expenses increased \$208,370, county environment and education expenses increased \$17,057, roads and transportation expenses decreased \$97,190, governmental services to residents increased \$92,693, administration expense increased \$189,934, non-program expenses decreased \$7,267 and interest expense on the County's long-term debt decreased by \$94,698.

#### OVERVIEW OF FINANCIAL STATEMENTS

This 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 activities.
- **Government-wide Financial Statements** – Comprise the first two statements, providing both short-term and long-term information about Johnson County's overall financial position.
- **Fund Financial Statements** – Focus on reporting how government services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail by providing information about the most significant funds. The remaining statements provide financial information activities for which Johnson County acts solely as an agent or custodian for the benefit of those outside of county government (agency funds).
- **Notes to Financial Statements** – provides additional information essential to a full understanding of the data provided in the basic financial statements.
- **Other Information** – further explains and supports the financial statements with a comparison of the County's budget for the year and details of the County's funding progress of the retiree health plan.
- **Supplementary Information** – provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various Federal programs benefitting the County.

#### Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements (Statement of Net Assets and the Statement of Activities) report the County's net assets and how they have changed. Net assets, the difference between assets and liabilities, is one way to measure the County's financial health.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in population, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include governmental activities such as 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. Most of the County's basic services are included here, such as the Sheriff, County Attorney, Recorder, Treasurer, Auditor, Board of Supervisors, Ambulance, Public Health, Medical Examiner, Paratransit Services (SEATS), Planning & Zoning, Conservation, Human Services, Veteran Affairs, Juvenile Court Services, Mental Health/ Developmental Services, rural funding to libraries, Secondary Roads, and Court Services. Property taxes and state and federal grants fund most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Board of Supervisors establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has three kinds of funds:

- Governmental funds – Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future use. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental fund statements that explains the relationship (or differences) between them. Funds included are the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds (Rural Services, Mental Health Fund, Secondary Roads Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.
- Fiduciary funds – The County is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds for Johnson County include the E-911 Fund, the Empowerment Fund, The Iowa City & Johnson County Assessor Funds & Special Appraisal Funds, the Emergency Management Fund, and the Abandoned Storage Fund. The County is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.
- Proprietary funds – The County has an internal service fund set up for the administration of its self-funded employee health insurance plan. Funds are paid into the health insurance fund from other county funds for payment of premiums, claims and administration costs. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The required statements include a statement of net assets, a statement of revenue, expenses, and changes in fund net assets, and a statement of cash flows.

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

## FINANCIAL ANALYSIS OF JOHNSON COUNTY -- Net Assets

The County's combined net assets increased from \$82,948,651 to \$93,374,367. See Table 1. Analysis will focus on changes in net assets for governmental activities.

Table 1:

### Net Assets

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
<b>Assets</b>			
Current Assets	\$ 76,307,356	\$ 73,862,400	3.3%
Capital Assets, Net of Accumulated Depreciation	<u>86,401,882</u>	<u>82,825,796</u>	4.3
<b>TOTAL ASSETS</b>	162,709,238	156,688,196	3.8
<b>Liabilities</b>			
Current Liabilities	50,165,542	51,486,832	(2.6)
Long Term Liabilities	<u>19,169,329</u>	<u>22,252,713</u>	(13.9)
<b>TOTAL LIABILITIES</b>	69,334,871	73,739,545	(6.0)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	71,665,882	64,703,796	10.8
Restricted	17,119,728	13,075,522	30.9
Unrestricted	<u>4,588,757</u>	<u>5,169,333</u>	(10.7)
<b>TOTAL NET ASSETS</b>	\$ <u>93,374,367</u>	\$ <u>82,948,651</u>	12.6

### Changes in Net Assets

The total net assets of governmental activities increased by 12.6% compared to fiscal year 2011. The decrease in long-term liabilities with a corresponding increase in restricted net assets reflects the cash reserve set aside to lower the amount of debt owed by the County. The largest portion of the County's net assets are invested in capital assets (land, buildings, equipment), net of related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets increased from \$5,169,333 in fiscal year 2011 to \$4,588,757 in fiscal year 2012, a decrease of 10.7%.

**Table 2:**

**Changes in Net Assets**

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 6,097,877	\$ 5,890,692	3.5%
Operating Grants and Contributions	21,446,809	15,770,350	36.0
Capital Grants and Contributions	2,037,591	6,656,717	(69.4)
Property and other taxes levied for:			
General Purpose	39,176,958	38,333,039	2.2
Debt Service	2,929,751	3,544,134	(17.3)
Other County Taxes	962,913	925,093	4.1
Penalties and Interest on Taxes	575,376	394,528	45.8
State tax credits	677,451	712,382	(4.9)
Unrestricted investment earnings	269,894	306,885	(12.1)
Loss on disposal of capital assets	(13,531)	(183,591)	92.6
Miscellaneous	1,163,195	104,896	1,009.0
<b>TOTAL REVENUES</b>	<b>75,324,284</b>	<b>72,455,125</b>	<b>4.0</b>
<b>Expenditures</b>			
Public Safety and Legal Services	19,869,844	20,543,834	(3.3)
Physical Health and Social Services	8,093,343	8,269,892	(2.1)
Mental Health, MR & DD	12,976,475	12,768,105	1.6
County Environment and Education	3,411,529	3,394,472	0.5
Roads & Transportation	10,310,104	10,407,294	(0.9)
Governmental Services to Residents	2,056,765	1,964,072	4.7
Administration	7,644,148	7,454,214	2.6
Nonprogram	-	7,267	(100.0)
Interest on Long-Term Debt	536,360	631,058	(15.0)
<b>TOTAL EXPENDITURES</b>	<b>64,898,568</b>	<b>65,440,208</b>	<b>(0.8)</b>
<b>INCREASE IN NET ASSETS</b>	<b>10,425,716</b>	<b>7,014,917</b>	<b>48.6</b>
Beginning	<u>82,948,651</u>	<u>75,933,734</u>	9.2
Ending	<u>\$ 93,374,367</u>	<u>\$ 82,948,651</u>	12.6

The County increased property taxes levied for 2012 by .43%. This increase raised the County's property tax revenue by approximately \$0.19 million. Based on increases in the tax levies and total assessed valuation, property tax revenue is budgeted to increase by an additional \$3.57 million for fiscal year 2013.

The cost of all government services this year was \$64,898,568 compared to \$65,440,208 last year. The amount financed by taxpayers was \$35,316,291 (See Statement of Activities). Some of the cost was paid for by those who benefited from programs or other government grants and contributions. The County's program revenues increased from \$28,317,759 to \$29,582,277 due to increases in operating grants and contributions and charges for services in 2012.

## MAJOR FUND ANALYSIS

Governmental funds reported a combined fund balance of \$22,314,131, an increase of \$3,255,263 compared to the prior year.

- General Fund revenues had an increase of \$1,254,162 due largely to an increase of property tax revenue of \$786,046, an increase in penalty and interest on property tax of \$170,126, and an increase in charges for services of \$283,098. Total General Fund expenditures decreased \$207,458 due largely to a decrease in public safety and legal services of \$464,973, and a simultaneous increase in Administration expenses of \$239,845.
- Rural Service Fund revenues increased by \$81,671, as a result of an increase in property tax revenue of \$87,890, and an offsetting decrease in intergovernmental revenue of \$6,219. Expenditures increased \$18,547 compared to the prior year. The ending fund balance showed an increase of \$104,164 from the prior year to \$198,715.
- Secondary Roads Fund revenues increased by \$670,358 compared to the prior year. Expenditures increased in the Secondary Roads Fund by \$1,798,420 due to an increase in Capital Projects of \$1,418,781, and an increase in County Environment and Education expenses of \$379,639.
- Mental Health Fund revenues increased by \$5,856,765 from the prior year, due largely to an increase in intergovernmental revenue of \$5,900,377. Expenditures increased by \$255,835 compared to the prior year entirely due to a direct increase in mental health expenses. The Mental Health fund balance increased \$1,982,036 in 2012.
- Capital Projects Fund revenues and cash transfers in decreased by \$1,620,862 and expenditures decreased by \$3,963,576. During the year the fund balance increased from \$4,613,319 to \$7,767,675, an increase of \$3,154,156 for the year. The revenues and expenditures of this class of fund varies depending on the timing of projects.

### General Fund Budgetary Highlights

Johnson County amended the budget two times during the fiscal year. The first amendment occurred in November 2011 and was necessary due to block grant reallocations, a conservation land purchase, and a social services program change during the fiscal year. The second amendment occurred in May 2012 due to road maintenance and public health programming changes.

Amendment and other budgetary information is available in the County Auditor's Office.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

For fiscal year 2012 the County had a net increase of \$3,576,086 in a broad range of capital assets, including land, equipment, vehicles, and infrastructure. Significant expenditures were related to Secondary Roads infrastructure projects, courthouse and jail renovations, a satellite ambulance facility, a safe room at Kent Park, recreational trails, and Sutliff Bridge replacement. See Table 3. More detailed information about the County's capital assets is presented in the notes to the financial statements.

**Table 3**  
**Capital Assets**

	Value of Capital Assets		Total Percentage
	2012	2011	Change 2012-2011
<b>Non-Depreciated</b>			
Land	\$ 12,770,898	\$ 12,187,273	4.8%
Construction in Progress	<u>12,149,801</u>	<u>26,383,357</u>	(54.0)
<b>Total Not Being Depreciated</b>	24,920,699	38,570,630	(35.4)
<b>Depreciable</b>			
Buildings & Improvements	38,241,424	22,177,093	72.4
Furnishings and Equipment	14,241,701	14,206,099	0.3
Infrastructure	<u>59,598,105</u>	<u>55,766,585</u>	6.9
<b>Total Depreciable Assets</b>	112,081,230	92,149,777	21.6
<b>Total Accumulated Depreciation</b>	<u>50,600,047</u>	<u>47,894,611</u>	5.7
<b>NET CAPITAL ASSETS</b>	\$ <u>86,401,882</u>	\$ <u>82,825,796</u>	4.3

The County had depreciation expense of \$3,606,911 in fiscal year 2012 and total accumulated depreciation of \$50,600,047 on June 30, 2012.

The County's fiscal year 2013 budget projects spending of \$11,853,547 for Mehaffey Bridge, Oakdale Boulevard, other Secondary Roads projects, technology and equipment replacements for capital projects, and land acquisition for a possible justice center. The County annually completes a Five Year Road Plan and Capital Improvement Plan (CIP). Both can be viewed by contacting management or are available on the County's web site [www.johnson-county.com](http://www.johnson-county.com).

**Long-Term Liabilities**

At year end, the County had \$19,169,329 in long-term liabilities, consisting of general obligation capital notes, compensated absences and net OPEB liability (Table 4). In 2012, the County retired \$3,386,000 in general obligation capital loan notes. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

**Table 4**

**Long-Term Liabilities**

	Total Fiscal Year End Long-Term Liabilities		Total Percentage Change
	2012	2011	2012-2011
General Obligation Bonds	\$ 14,736,000	\$ 18,122,000	(18.7)%
Compensated Absences	2,796,417	2,770,641	0.9
Net OPEB Liability	<u>1,636,912</u>	<u>1,360,072</u>	20.4
<b>TOTAL LONG TERM LIABILITIES</b>	\$ <u>19,169,329</u>	\$ <u>22,252,713</u>	(13.9)

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

At the time these financial statements were prepared and audited, the County was aware of several circumstances that could affect its future financial health:

- ❑ Johnson County is one of the fastest-growing counties in Iowa. Johnson County's population grew from 131,293 residents in 2010 to an estimated 136,317 in 2012.
- ❑ Johnson County continues to enjoy a strong economy. Johnson County's unemployment rate of 4.0% is the second lowest in the State of Iowa.
- ❑ Johnson County's taxable valuation growth of 2.9% for the FY14 budget year was uncharacteristically low, but the rate of growth is expected to increase in subsequent years.
- ❑ Johnson County intends to hold a special election on May 7, 2013, for voters to consider the issuance of \$43.5 million in general obligation bonds for the construction of a Johnson County Justice Center.
- ❑ Reorganization of Mental Health and Disability Services financing by the State of Iowa could significantly impact the amount Johnson County levies for that purpose beginning in FY15.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact

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## BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY, IOWA  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and pooled investments	\$ 29,291,741
Receivables:	
Property tax:	
Delinquent	60,335
Succeeding year	43,876,153
Accounts	939,252
Interest, other	38
Due from other governments	1,478,482
Inventories	320,054
Prepaid expenses & other assets	341,301
Land and construction in progress	24,920,699
Other capital assets (net of accumulated depreciation)	<u>61,481,183</u>
Total assets	<u>162,709,238</u>
<u>LIABILITIES:</u>	
Accounts payable	3,652,132
Accrued interest payable	32,874
Salaries and benefits payable	525,975
Due to other governments	1,874,369
Contracts payable	121,444
Unearned revenue:	
Succeeding year property tax	43,876,153
Other deferred revenue	82,595
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,396,000
Compensated absences	2,796,417
Portion due or payable after one year:	
General obligation bonds	12,340,000
Net OPEB liability	<u>1,636,912</u>
Total liabilities	<u>69,334,871</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	71,665,882
Restricted for:	
Rural services purposes	198,715
Supplemental levy purposes	944,836
Secondary roads purposes	1,854,044
Mental health purposes	1,793,576
Capital projects	7,767,675
Debt Service	265,385
Other purposes	4,295,497
Unrestricted	<u>4,588,757</u>
Total net assets	<u>\$ 93,374,367</u>

See Notes to Financial Statements

## JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
Governmental activities:					
Public safety and legal services	\$ 19,869,844	\$ 2,363,822	\$ 1,253,081	\$ 84,228	\$ (16,168,713)
Physical health and social services	8,093,343	392,608	3,221,700	37,791	(4,441,244)
Mental health	12,976,475	115,816	12,044,050	-	(816,609)
County environment and education	3,411,529	424,858	256,978	1,115,710	(1,613,983)
Roads and transportation	10,310,104	106,711	4,473,333	397,834	(5,332,226)
Governmental services to residents	2,056,765	2,032,933	110,092	-	86,260
Administration	7,644,148	661,129	87,575	402,028	(6,493,416)
Interest on long-term debt	536,360	-	-	-	(536,360)
Total	\$ <u>64,898,568</u>	\$ <u>6,097,877</u>	\$ <u>21,446,809</u>	\$ <u>2,037,591</u>	<u>(35,316,291)</u>
<b><u>GENERAL REVENUES:</u></b>					
Property and other County tax levied for:					
General purposes					39,176,958
Debt service					2,929,751
Other County taxes					962,913
Penalty and interest on property tax					575,376
State tax credits					677,451
Unrestricted investment earnings					269,894
Loss on sale of capital assets					(13,531)
Miscellaneous					<u>1,163,195</u>
Total general revenues					<u>45,742,007</u>
CHANGE IN NET ASSETS					10,425,716
<u>NET ASSETS</u> - Beginning of year					<u>82,948,651</u>
<u>NET ASSETS</u> - End of year					\$ <u>93,374,367</u>

JOHNSON COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue			
<u>ASSETS</u>	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Cash and pooled investments	\$ 5,979,844	\$ 208,781	\$ 2,711,128	\$ 3,616,408
Receivables:				
Property tax:				
Delinquent	42,152	10,855	-	3,445
Succeeding year	32,680,241	3,982,054	-	3,083,533
Accounts	755,538	-	8,423	118,480
Interest, others	-	-	-	-
Due from other governments	720,522	-	2,830	502,236
Inventories	-	-	320,054	-
Prepaid expenses	<u>317,072</u>	<u>-</u>	<u>867</u>	<u>4,383</u>
TOTAL ASSETS	<u>\$ 40,495,369</u>	<u>\$ 4,201,690</u>	<u>\$ 3,043,302</u>	<u>\$ 7,328,485</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 506,688	\$ -	\$ 1,003,099	\$ 339,907
Salaries and benefits payable	416,467	-	63,559	45,949
Contracts payable	-	-	121,444	-
Due to other governments	120,283	10,374	898	1,742,814
Deferred revenue:				
Succeeding year property tax	32,680,241	3,982,054	-	3,083,533
Other deferred revenue	<u>632,451</u>	<u>10,547</u>	<u>258</u>	<u>322,706</u>
Total liabilities	<u>34,356,130</u>	<u>4,002,975</u>	<u>1,189,258</u>	<u>5,534,909</u>
 <u>FUND BALANCES:</u>				
<u>Nonspendable:</u>				
Inventories	-	-	320,054	-
Prepaid expenditures	317,072	-	867	4,383
<u>Restricted for:</u>				
Supplemental levy purposes	684,053	-	-	-
Mental health purposes	-	-	-	1,789,193
Rural services purposes	-	198,715	-	-
Secondary roads purposes	-	-	1,533,123	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Committed	-	-	-	-
Unassigned	<u>5,138,114</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>6,139,239</u>	<u>198,715</u>	<u>1,854,044</u>	<u>1,793,576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,495,369</u>	<u>\$ 4,201,690</u>	<u>\$ 3,043,302</u>	<u>\$ 7,328,485</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 8,369,704	\$ 4,679,968	\$ 25,565,833
-	3,883	60,335
-	4,130,325	43,876,153
-	448	882,889
-	38	38
252,894	-	1,478,482
-	-	320,054
<u>18,054</u>	<u>925</u>	<u>341,301</u>
\$ <u>8,640,652</u>	\$ <u>8,815,587</u>	\$ <u>72,525,085</u>
\$ 831,993	\$ 118,487	\$ 2,800,174
-	-	525,975
-	-	121,444
-	-	1,874,369
-	4,130,325	43,876,153
<u>40,984</u>	<u>5,893</u>	<u>1,012,839</u>
<u>872,977</u>	<u>4,254,705</u>	<u>50,210,954</u>
-	-	320,054
18,054	925	341,301
-	-	684,053
-	-	1,789,193
-	-	198,715
-	-	1,533,123
-	265,385	265,385
404,065	-	404,065
-	890,613	890,613
7,345,556	3,403,959	10,749,515
-	-	5,138,114
<u>7,767,675</u>	<u>4,560,882</u>	<u>22,314,131</u>
\$ <u>8,640,652</u>	\$ <u>8,815,587</u>	\$ <u>72,525,085</u>

JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES \$ 22,314,131

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 \$137,001,929 and the accumulated depreciation is \$50,600,047.

Land	\$ 12,770,898	
Construction in progress	12,149,801	
Infrastructure	30,821,821	
Buildings and improvements	27,400,784	
Furnishings and equipment	<u>3,258,578</u>	
Total capital assets, net		86,401,882

Other long-term assets, such as County taxes, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 930,243

The Internal Service Fund is used by the County to charge the costs of partial self-funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,930,314

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds payable	\$ (14,736,000)	
Accrued interest on bonds	(32,874)	
Compensated absences	(2,796,417)	
Net OPEB liability	<u>(1,636,912)</u>	
Total long-term liabilities		<u>(19,202,203)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 93,374,367

JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Special Revenue</u>		
		<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 33,156,780	\$ 3,868,744	\$ -	\$ 3,051,625
Interest and penalty on property tax	566,085	-	-	-
Intergovernmental	6,150,732	80,538	4,485,706	11,888,909
Licenses and permits	573,150	-	6,500	-
Charges for service	4,036,274	-	-	-
Use of money and property	236,656	-	3,182	-
Miscellaneous	556,824	-	1,048,131	40,742
Total revenues	<u>45,276,501</u>	<u>3,949,282</u>	<u>5,543,519</u>	<u>14,981,276</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	19,231,203	-	-	-
Physical health and social services	8,046,818	-	-	-
Mental health	-	-	-	12,999,800
County environment and education	2,576,324	745,118	-	-
Roads and transportation	-	-	7,592,330	-
Governmental services to residents	1,911,161	-	-	-
Administration	6,803,964	-	-	-
Non-program	3,005	-	-	-
Debt service:				
Principal	330,000	-	-	-
Interest	107,633	-	-	-
Capital projects	-	-	2,902,835	-
Total expenditures	<u>39,010,108</u>	<u>745,118</u>	<u>10,495,165</u>	<u>12,999,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,266,393</u>	<u>3,204,164</u>	<u>(4,951,646)</u>	<u>1,981,476</u>
Other financing sources (uses):				
Sale of capital assets	14,537	-	-	560
Transfers in	-	-	4,216,014	-
Transfers out	<u>(7,575,317)</u>	<u>(3,100,000)</u>	-	-
Total other financing sources (uses)	<u>(7,560,780)</u>	<u>(3,100,000)</u>	<u>4,216,014</u>	<u>560</u>
Net change in fund balances	(1,294,387)	104,164	(735,632)	1,982,036
<u>FUND BALANCES</u> - Beginning of year	<u>7,433,626</u>	<u>94,551</u>	<u>2,589,676</u>	<u>(188,460)</u>
<u>FUND BALANCES</u> - End of year	\$ <u>6,139,239</u>	\$ <u>198,715</u>	\$ <u>1,854,044</u>	\$ <u>1,793,576</u>

See Notes to Financial Statements

<u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
\$ -	\$ 2,987,076	\$ 43,064,225
-	-	566,085
1,119,514	436,044	24,161,443
-	-	579,650
-	32,450	4,068,724
13,528	26,958	280,324
<u>458,168</u>	<u>24,339</u>	<u>2,128,204</u>
<u>1,591,210</u>	<u>3,506,867</u>	<u>74,848,655</u>
-	35,149	19,266,352
-	-	8,046,818
-	-	12,999,800
-	-	3,321,442
-	-	7,592,330
-	21,270	1,932,431
-	-	6,803,964
-	-	3,005
-	3,056,000	3,386,000
-	432,667	540,300
<u>4,213,836</u>	<u>599,376</u>	<u>7,716,047</u>
<u>4,213,836</u>	<u>4,144,462</u>	<u>71,608,489</u>
<u>(2,622,626)</u>	<u>(637,595)</u>	<u>3,240,166</u>
-	-	15,097
5,776,982	748,321	10,741,317
-	(66,000)	(10,741,317)
<u>5,776,982</u>	<u>682,321</u>	<u>15,097</u>
3,154,356	44,726	3,255,263
<u>4,613,319</u>	<u>4,516,156</u>	<u>19,058,868</u>
\$ <u>7,767,675</u>	\$ <u>4,560,882</u>	\$ <u>22,314,131</u>

JOHNSON COUNTY, IOWA

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 \$ 3,255,263

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 outlays exceeded depreciation expense and loss on disposal of capital assets in the current year as follows:

Expenditures for capital assets	\$ 6,809,268	
Capital grants for capital assets	393,042	
Depreciation expense	(3,606,911)	
Loss on disposal of capital assets	<u>(19,313)</u>	3,576,086

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.

Repaid 3,386,000

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

85,797

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

Change in accrued compensated absences	\$ (25,776)	
Change in accrued interest on debt	3,939	
Change in net OPEB liability	<u>(276,840)</u>	(298,677)

The Internal Service Fund is used by the County to charge the costs of 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.

421,247

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 10,425,716

JOHNSON COUNTY, IOWA

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	Internal Service - Employee Group <u>Health</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 3,725,908
Receivables:	
Accounts	<u>56,364</u>
Total assets	<u>3,782,272</u>
 <u>LIABILITIES:</u>	
Accounts payable	113,481
Claims payable	<u>738,477</u>
Total liabilities	<u>851,958</u>
 <u>NET ASSETS:</u>	
Unrestricted	\$ <u>2,930,314</u>

## JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2012

	Internal Service - Employee Group Health
<u>OPERATING REVENUES:</u>	
Reimbursements from operating funds	\$ 5,199,776
Health fees - Employees	612,268
Miscellaneous	<u>92</u>
Total operating revenues	<u>5,812,136</u>
<u>OPERATING EXPENSES:</u>	
Medical and health services	4,549,283
Accounting, auditing and clerical	850,965
Miscellaneous	<u>100</u>
Total operating expenses	<u>5,400,348</u>
Operating Income	411,788
<u>NON-OPERATING REVENUES:</u>	
Interest income	<u>9,459</u>
Change in net assets	421,247
<u>NET ASSETS</u> - Beginning of year	<u>2,509,067</u>
<u>NET ASSETS</u> - End of year	\$ <u>2,930,314</u>

JOHNSON COUNTY, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	<u>Internal Service - Employee Group Health</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received from operating fund reimbursements	\$ 5,170,264
Cash received from employees and others	612,268
Cash paid for administrative fees	(816,706)
Cash paid for medical claims and insurance premiums	<u>(4,599,747)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	366,079
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on investments	<u>9,459</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	375,538
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	<u>3,350,370</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ <u>3,725,908</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET</u> <u>CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating income	\$ 411,788
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(29,604)
Decrease in accounts payable	<u>(16,105)</u>
Net cash provided by operating activities	\$ <u>366,079</u>

JOHNSON COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-  
AGENCY FUNDS  
JUNE 30, 2012

ASSETS

Cash and pooled investments:		
County Treasurer	\$	5,566,872
Other County officials		571,304
Receivables:		
Accounts receivable		71,118
Property tax:		
Delinquent		174,891
Succeeding year		189,339,081
Due from other governments		39,882
Prepaid expenses		3,704
	TOTAL ASSETS	<u>195,766,852</u>

LIABILITIES

Accounts payable		84,695
Salaries and benefits payable		24,499
Compensated absences		140,560
Due to other governments		195,130,882
Trusts payable		386,216
	TOTAL LIABILITIES	<u>195,766,852</u>
	NET ASSETS	\$ <u>          -</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson County, Iowa 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, Johnson County, Iowa 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 the 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also 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: Johnson County Assessor's Conference Board, Iowa City Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Joint E911 Service Board, and Johnson County Council of Governments. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

*Restricted net assets* result when constraints placed on net 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.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 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 governmental funds.

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

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

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.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 nonoperating 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 are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% 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.

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.

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

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	5,000
Other capital assets	5,000

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	15-40
Improvements	10-40
Infrastructure	20-65
Intangibles	2-30
Equipment	2-30

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receipts that do not meet income recognition criteria.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 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 and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated 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 are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CASH AND POOLED INVESTMENTS

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

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

The County held no investments as of June 30, 2012.

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

Credit Risk – The County's investment policy limits investment in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk – The County's investment policy does not allow for a prime bankers acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any such investments during the year.

NOTE 3: INTERFUND TRANSFERS

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

<u>Transfer To</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	General	\$ 1,050,014
	Special Revenue:	
	Rural Basic	3,100,000
	Road Construction Escrow	66,000
		<u>4,216,014</u>
Capital Projects	General	<u>6,426,982</u>
Debt Service	Capital Projects	<u>650,000</u>
Special Revenue:		
Conservation Trust	Capital Projects	<u>98,321</u>
		\$ <u>11,391,317</u>

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

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,187,273	\$ 583,625	\$ -	\$ 12,770,898
Construction in progress	<u>26,383,357</u>	<u>5,576,329</u>	<u>19,809,885</u>	<u>12,149,801</u>
Total capital assets not being depreciated	<u>38,570,630</u>	<u>6,159,954</u>	<u>19,809,885</u>	<u>24,920,699</u>
Capital assets being depreciated/amortized:				
Buildings	22,177,093	16,004,127	-	38,181,220
Improvements other than buildings	-	60,204	-	60,204
Furnishings and equipment	14,206,099	956,389	920,788	14,241,701
Infrastructure	<u>55,766,585</u>	<u>3,831,521</u>	<u>-</u>	<u>59,598,105</u>
Total capital assets being depreciated/amortized	<u>92,149,777</u>	<u>20,852,241</u>	<u>920,788</u>	<u>112,081,230</u>
Less accumulated depreciation/amortization for:				
Buildings	10,056,016	781,067	-	10,837,082
Improvements other than buildings	-	3,558	-	3,558
Furnishings and equipment	10,760,150	1,124,447	901,475	10,983,123
Infrastructure	<u>27,078,445</u>	<u>1,697,839</u>	<u>-</u>	<u>28,776,284</u>
Total accumulated depreciation/amortization	<u>47,894,611</u>	<u>3,606,911</u>	<u>901,475</u>	<u>50,600,047</u>
Total capital assets being depreciated/amortized, net	<u>44,255,166</u>	<u>17,245,330</u>	<u>19,313</u>	<u>61,481,183</u>
Governmental activities capital assets, net	\$ <u>82,825,796</u>	\$ <u>23,405,284</u>	\$ <u>19,829,198</u>	\$ <u>86,401,882</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 561,093
Physical health and social services	224,161
Mental health	52,088
County environment and education	152,035
Roads and transportation	2,306,632
Governmental services to residents	17,933
Administration	291,102
Non-Program	<u>1,867</u>
Total depreciation/amortization expense-governmental activities	\$ <u>3,606,911</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5: DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 120,283
Special Revenue:		
Rural Services	Services	10,374
Secondary Roads		898
Mental Health		<u>1,742,814</u>
Total for governmental funds		\$ <u>1,874,369</u>
Agency:		
County Assessor	Collections	\$ 1,783,303
City Assessor		1,017,665
Emergency Management		110,284
Schools		86,481,671
Community Colleges		6,483,550
Corporations		94,420,726
Townships		823,250
E911 Surcharge		470,213
Auto License and Use Tax		2,479,874
Other		<u>1,060,346</u>
Total for agency funds		\$ <u>195,130,882</u>

NOTE 6: LONG-TERM LIABILITIES

The County issues general obligation bonds to provide funds for the acquisition, improvement, and construction of major capital facilities and for the purchase of technology and related equipment. General obligation bonds have been issued for these types of governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are generally issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2012, are as follows:

General Obligation Bonds

<u>Purpose</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
County Improvements	03/2009	06/2010 - 06/2020	2.00% - 3.85%	\$ 4,100,000	\$ 3,165,000
County Improvements	03/2009	06/2010 - 06/2021	3.00% - 4.00%	11,000,000	8,835,000
County Improvements	03/2009	06/2010 - 06/2016	3.00% - 3.50%	2,200,000	1,330,000
County Improvements	03/2011	06/2011 - 06/2016	0.75% - 2.09%	<u>6,285,000</u>	<u>1,406,000</u>
				\$ <u>23,585,000</u>	\$ <u>14,736,000</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2013	\$ 2,396,000	\$ 477,221	\$ 2,873,221
2014	1,695,000	425,561	2,120,561
2015	1,765,000	380,042	2,145,042
2016	1,840,000	327,565	2,167,565
2017	1,370,000	267,558	1,637,558
2018-2021	<u>5,670,000</u>	<u>544,340</u>	<u>6,214,340</u>
Total	\$ <u>14,736,000</u>	\$ <u>2,422,287</u>	\$ <u>17,158,287</u>

During the year ended June 30, 2012, the County retired \$3,386,000 general obligation bonds.

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

	General Obligation Capital Notes	Net OPEB Liability	Compensated Absences	Total
Balance beginning of year	\$ 18,122,000	\$ 1,360,072	\$ 2,770,641	\$ 22,252,713
Increases	-	276,840	2,796,417	3,073,257
Decreases	<u>3,386,000</u>	<u>-</u>	<u>2,770,641</u>	<u>6,156,641</u>
Balance end of year	\$ <u>14,736,000</u>	\$ <u>1,636,912</u>	\$ <u>2,796,417</u>	\$ <u>19,169,329</u>
Due within one year	\$ <u>2,396,000</u>	\$ <u>-</u>	\$ <u>2,796,417</u>	\$ <u>5,192,417</u>

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and other 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 \$2,141,091, \$1,780,910, and \$1,615,053, respectively, equal to the required contributions for each year.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8: RISK MANAGEMENT

Johnson County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$418,678.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for 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. Health benefits were self-insured up to a specific stop loss limitation of \$50,000 and an aggregate annual stop-loss amount of approximately \$6,731,335 for 2012. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$5,199,766.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$738,477 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 \$2,930,314 at June 30, 2012 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 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	\$ 740,716
Incurred claims (including claims incurred but not reported at June 30, 2012):	
Current-year events	4,549,283
Payments:	
Current and prior year events	<u>(4,551,522)</u>
Unpaid claims end of year	\$ <u>738,477</u>

NOTE 10: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, there were three issues of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$3,360,915.

NOTE 11: CONSTRUCTION COMMITMENTS

The County has entered into thirteen contracts totaling \$17,500,479 for building and road construction projects. As of June 30, 2012, costs of \$11,372,826 on the projects have been incurred. The balance remaining on the projects at June 30, 2012, \$6,179,287 will be paid as work on the projects progress.

NOTE 12: LITIGATION

The County Attorney reported that as of June 30, 2012, various claims and lawsuits were on file against the County. The probability of loss, if any, is undeterminable.

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13: PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued a statement not yet implemented by Johnson County, Iowa. The statement, which might impact future Johnson County, Iowa, financial statements is as follows:

Statement No. 65 Items Previously Reported as Assets and Liabilities issued March 2012, will be effective for the fiscal year ending June 30, 2013. The objective of the Statement is to clarify deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

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

NOTE 14: 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 457 active and 36 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (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	\$	457,910
Interest on net OPEB obligation		61,203
Adjustment to annual required contribution		<u>(83,496)</u>
Annual OPEB cost		435,617
Contributions made		<u>(158,777)</u>
Increase in net OPEB obligation		276,840
Net OPEB obligation beginning of year		<u>1,360,072</u>
 Net OPEB obligation end of year	 \$	 <u>1,636,912</u>

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

For the year ended June 30, 2012, retired members contributed \$226,311 or 59% of premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 763,894	31.80 %	\$ 1,066,068
June 30, 2011	440,436	33.25	1,360,072
June 30, 2012	435,617	36.45	1,636,912

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$4,216,188, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,216,188. The covered payroll (annual payroll of active employees covered by the plan) was \$21,769,883 and the ratio of the UAAL to covered payroll was 19.36%. As of June 30, 2012, there were no trust assets.

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

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook and applying the termination factors used in Scale T-7.

Projected claim costs of the medical plan are \$429 per month for retirees and \$1,190 per month for retirees electing family coverage. The salary increase rate was assumed to be 3.25% per year. The UAAL is being amortized as a level dollar percentage of projected payroll expense on an open basis over 30 years.

NOTE 15: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2012, it was determined that certain Agency Funds mistakenly miscalculated future tax revenues in the prior year. As a result, the following changes have been made to Agency Funds' assets and liabilities as of June 30, 2011:

	Agency Funds			Total
	<u>State</u> <u>Levies</u>	<u>Schools</u>	<u>Corporations</u>	<u>Assets and</u> <u>Liabilities</u>
As previously reported June 30, 2011	\$ 182	\$ 134,727,803	\$ 93,360,206	\$ 220,924,629
Adjustments	<u>83,712</u>	<u>(50,083,079)</u>	<u>21,206,706</u>	<u>(28,792,661)</u>
As restated at June 30, 2011	\$ <u>83,894</u>	\$ <u>84,644,724</u>	\$ <u>114,566,912</u>	\$ <u>192,131,968</u>

JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 16: EARLY CHILDHOOD IOWA LOCAL AREA

The County participates in the Early Childhood Iowa Local Area, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund (Empowerment Board) because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2012:

	Early Childhood Iowa Local Area			
	Early Childhood Fund	School Ready Fund	Other	Total
Additions:				
State of Iowa grants:				
Early childhood	\$ 155,262	\$ -	\$ -	\$ 155,262
Family support & parent education	-	356,894	-	356,894
Preschool support for low-income families	-	156,702	-	156,702
Quality improvement	-	50,904	-	50,904
Allocation for administration	-	18,647	-	18,647
Other grant programs	-	38,421	16,572	54,993
Total State of Iowa grants	155,262	621,568	16,572	793,402
Interest	185	365	80	630
Total additions	155,447	621,933	16,652	794,032
Deductions:				
Program services:				
Early childhood	157,788	-	-	157,788
Family support & parent education	-	383,285	-	383,285
Preschool support for low income families	-	184,584	-	184,584
Quality improvement	-	438	-	438
Other program services	-	123,927	96,947	220,874
Total program services	157,788	692,234	96,947	946,969
Administration	3,747	2,702	16,089	22,538
Total deductions	161,535	694,936	113,036	969,507
Net change	(6,088)	(73,003)	(96,384)	(175,475)
Balances – beginning of year	7,846	137,573	101,090	246,509
Balances – end of year	\$ 1,758	\$ 64,570	\$ 4,706	\$ 71,034

NOTE 17: SUBSEQUENT EVENTS

In November 2012, the County issued \$5,000,000 of general obligation bonds for County road and bridge improvements as well as acquiring updated computer equipment.

Subsequent events have been evaluated through March 28, 2013, the date the financial statements were available to be issued.

## OTHER INFORMATION

JOHNSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2012

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	
		Actual	Original		Final
<u>RECEIPTS:</u>					
Property and other County tax	\$ 43,069,922	\$ 43,209,105	\$ 43,209,105	\$ (139,183)	
Interest and penalty on property tax	422,944	429,000	429,000	(6,056)	
Intergovernmental	24,062,901	20,135,803	23,763,304	299,597	
Licenses and permits	568,908	478,600	482,600	86,308	
Charges for service	3,945,090	3,644,275	3,646,699	298,391	
Use of money and property	281,375	355,125	355,125	(73,750)	
Miscellaneous	<u>2,148,484</u>	<u>2,291,222</u>	<u>3,244,637</u>	<u>(1,096,153)</u>	
Total receipts	<u>74,499,624</u>	<u>70,543,130</u>	<u>75,130,470</u>	<u>(630,846)</u>	
<u>DISBURSEMENTS:</u>					
Public safety and legal services	19,581,808	21,303,843	21,533,024	1,951,216	
Physical health and social services	8,171,826	8,853,781	8,951,970	780,144	
Mental health	14,222,677	13,676,625	15,681,351	1,458,674	
County environment and education	3,407,879	3,553,539	3,622,051	214,172	
Roads and transportation	7,571,784	7,660,582	7,664,324	92,540	
Governmental services to residents	1,970,326	2,292,149	2,326,149	355,823	
Administration	6,909,078	7,518,174	7,597,422	688,344	
Non-program	5,845	3,000	7,000	1,155	
Debt service	3,926,299	3,372,303	4,022,303	96,004	
Capital projects	<u>7,044,602</u>	<u>8,419,353</u>	<u>12,259,217</u>	<u>5,214,615</u>	
Total disbursements	<u>72,812,124</u>	<u>76,653,349</u>	<u>83,664,811</u>	<u>10,852,687</u>	
Excess (deficiency) of receipts over (under) disbursements	1,687,500	(6,110,219)	(8,534,341)	10,221,841	
Other financing sources					
Sale of capital assets	<u>17,659</u>	<u>11,800</u>	<u>11,800</u>	<u>5,859</u>	
Excess (deficiency) of receipts and other financing sources over (under) disbursements	1,705,159	(6,098,419)	(8,522,541)	10,227,700	
<u>BALANCE</u> - Beginning of year	<u>23,566,261</u>	<u>20,376,447</u>	<u>23,566,261</u>	<u>-</u>	
<u>BALANCE</u> - End of year	\$ <u>25,271,420</u>	\$ <u>14,278,028</u>	\$ <u>15,043,720</u>	\$ <u>10,227,700</u>	

JOHNSON COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
OTHER INFORMATION  
YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 74,499,624	\$ 349,031	\$ 74,848,655
Expenditures	<u>72,812,124</u>	<u>(1,203,635)</u>	<u>71,608,489</u>
Net	1,687,500	1,552,666	3,240,166
Other financing sources	17,659	(2,562)	15,097
Beginning fund balance	<u>23,566,261</u>	<u>(4,507,393)</u>	<u>19,058,868</u>
Ending fund balance	\$ <u>25,271,420</u>	\$ <u>(2,957,289)</u>	\$ <u>22,314,131</u>

See Accompanying Independent Auditor's Report.

JOHNSON COUNTY, IOWA

NOTES TO OTHER INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

This 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, two budget amendments increased budgeted disbursements by \$7,011,462. The budget amendments are reflected in the final budgeted amounts.

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

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

JOHNSON COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR  
THE RETIREE HEALTH PLAN

OTHER INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liability (AAL) ( b )</u>	<u>Unfunded AAL (UAAL) ( b - a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</u>
2010	July 1, 2008	\$ <u>-</u>	\$ <u>7,697,775</u>	\$ <u>7,697,775</u>	0.00%	\$ <u>21,279,121</u>	36.18%
2011	July 1, 2010	\$ <u>-</u>	\$ <u>4,216,188</u>	\$ <u>4,216,188</u>	0.00%	\$ <u>21,084,632</u>	20.00%
2012	July 1, 2010	\$ <u>-</u>	\$ <u>4,216,188</u>	\$ <u>4,216,188</u>	0.00%	\$ <u>21,769,883</u>	19.37%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**SUPPLEMENTARY INFORMATION**

## JOHNSON COUNTY, IOWA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 4,414,699	\$ 265,269	\$ 4,679,968
Receivables:			
Property tax:			
Delinquent	-	3,883	3,883
Succeeding year	-	4,130,325	4,130,325
Accrued interest	38	-	38
Accounts	448	-	448
Prepaid expenses	<u>925</u>	<u>-</u>	<u>925</u>
TOTAL ASSETS	\$ <u>4,416,110</u>	\$ <u>4,399,477</u>	\$ <u>8,815,587</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 118,487	\$ -	\$ 118,487
Deferred revenue:			
Succeeding year property tax	-	4,130,325	4,130,325
Other	<u>2,126</u>	<u>3,767</u>	<u>5,893</u>
Total liabilities	<u>120,613</u>	<u>4,134,092</u>	<u>4,254,705</u>
<u>FUND BALANCES:</u>			
Nonspendable	925	-	925
Restricted	890,613	265,385	1,155,998
Committed	<u>3,403,959</u>	<u>-</u>	<u>3,403,959</u>
Total fund balances	<u>4,295,497</u>	<u>265,385</u>	<u>4,560,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>4,416,110</u>	\$ <u>4,399,477</u>	\$ <u>8,815,587</u>

## JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	Special Revenue	Debt Service	Total
<b>REVENUES:</b>			
Property and other County tax	\$ -	\$ 2,987,076	\$ 2,987,076
Intergovernmental	394,195	41,849	436,044
Charges for service	32,450	-	32,450
Use of money and property	26,958	-	26,958
Miscellaneous	24,339	-	24,339
Total revenues	<u>477,942</u>	<u>3,028,925</u>	<u>3,506,867</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety and legal services	35,149	-	35,149
Governmental services to residents	21,270	-	21,270
Debt service:			
Principal	-	3,056,000	3,056,000
Interest	-	432,667	432,667
Capital projects	599,376	-	599,376
Total expenditures	<u>655,795</u>	<u>3,488,667</u>	<u>4,144,462</u>
Deficiency of revenues under expenditures	(177,853)	(459,742)	(637,595)
Other financing sources (uses):			
Transfers in	98,321	650,000	748,321
Transfers out	(66,000)	-	(66,000)
Total other financing sources (uses)	<u>32,321</u>	<u>650,000</u>	<u>682,321</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(145,532)	190,258	44,726
<b>FUND BALANCES - Beginning of year</b>	<u>4,441,029</u>	<u>75,127</u>	<u>4,516,156</u>
<b>FUND BALANCES - End of year</b>	\$ <u>4,295,497</u>	\$ <u>265,385</u>	\$ <u>4,560,882</u>

JOHNSON COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012

<u>ASSETS</u>	Road Construction Escrow	Law Enforcement Proceeds	Special Resource Enhancement	Prosecutor Forfeiture Proceeds
Cash and pooled investments	\$ 3,395,548	\$ 116,703	\$ 573,425	\$ 14,249
Receivables:				
Accounts	-	-	-	38
Accrued interest	448	-	-	-
Prepaid expenses	-	-	-	925
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>3,395,996</u>	\$ <u>116,703</u>	\$ <u>573,425</u>	\$ <u>15,212</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ 1,483	\$ 112,335	\$ 238
Deferred revenue:				
Other	-	2,126	-	-
Total liabilities	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
 <u>FUND BALANCES:</u>				
Fund balances:				
Nonspendable	-	-	-	925
Restricted	-	113,094	461,090	14,049
Committed	3,395,996	-	-	-
Total fund balances	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,395,996</u>	\$ <u>116,703</u>	\$ <u>573,425</u>	\$ <u>15,212</u>

<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ 202,355	\$ 1,569	\$ 104,456	\$ 3,079	\$ 3,315	\$ 4,414,699
-	-	-	-	-	38
-	-	-	-	-	448
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>925</u>
\$ <u>202,355</u>	\$ <u>1,569</u>	\$ <u>104,456</u>	\$ <u>3,079</u>	\$ <u>3,315</u>	\$ <u>4,416,110</u>
\$ 4,431	\$ -	\$ -	\$ -	\$ -	\$ 118,487
-	-	-	-	-	2,126
<u>4,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,613</u>
-	-	-	-	-	925
197,924	-	104,456	-	-	890,613
-	1,569	-	3,079	3,315	3,403,959
<u>197,924</u>	<u>1,569</u>	<u>104,456</u>	<u>3,079</u>	<u>3,315</u>	<u>4,295,497</u>
\$ <u>202,355</u>	\$ <u>1,569</u>	\$ <u>104,456</u>	\$ <u>3,079</u>	\$ <u>3,315</u>	\$ <u>4,416,110</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2012

	<u>Road Construction Escrow</u>	<u>Law Enforcement Proceeds</u>	<u>Special Resource Enhancement</u>	<u>Prosecutor Forfeiture Proceeds</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 33,274	\$ 207,753	\$ -
Charges for service	-	-	-	-
Use of money and property	24,122	280	1,814	-
Miscellaneous	-	-	-	2,072
Total revenues	24,122	33,554	209,567	2,072
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	-	27,885	-	6,721
Governmental services to residents	-	-	-	-
Capital projects	(66,000)	-	443,368	-
Total expenditures	(66,000)	27,885	443,368	6,721
Excess (deficiency) of revenues over (under) expenditures	90,122	5,669	(233,801)	(4,649)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfer out	(66,000)	-	-	-
Total other financing sources (uses)	(66,000)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	24,122	5,669	(233,801)	(4,649)
<u>FUND BALANCES</u> - Beginning of year	3,371,874	107,425	694,891	19,623
<u>FUND BALANCES</u> - End of year	\$ 3,395,996	\$ 113,094	\$ 461,090	\$ 14,974

<u>Conservation Trust</u>	<u>Historical Preservation</u>	<u>Recorder's Records Management</u>	<u>Ambulance Fund</u>	<u>Courthouse Centenary Fund</u>	<u>Total</u>
\$ 153,168	\$ -	\$ -	\$ -	\$ -	\$ 394,195
-	-	32,450	-	-	32,450
453	-	272	8	9	26,958
<u>22,167</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>24,339</u>
<u>175,788</u>	<u>-</u>	<u>32,722</u>	<u>108</u>	<u>9</u>	<u>477,942</u>
-	-	-	543	-	35,149
-	-	21,270	-	-	21,270
<u>222,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,376</u>
<u>222,008</u>	<u>-</u>	<u>21,270</u>	<u>543</u>	<u>-</u>	<u>655,795</u>
(46,220)	-	11,452	(435)	9	(177,853)
98,321	-	-	-	-	98,321
-	-	-	-	-	(66,000)
<u>98,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,321</u>
52,102	-	11,452	(435)	9	(145,532)
<u>145,823</u>	<u>1,569</u>	<u>93,004</u>	<u>3,514</u>	<u>3,306</u>	<u>4,441,029</u>
\$ <u>197,925</u>	\$ <u>1,569</u>	\$ <u>104,456</u>	\$ <u>3,079</u>	\$ <u>3,315</u>	\$ <u>4,295,497</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	County Offices		<u>Agricultural Extension</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ 2,579
Other County officials	185,088	386,216	-
Receivables:			
Accounts receivable	1,444	-	-
Property tax:			
Delinquent	-	-	591
Succeeding year	-	-	475,529
Due from other governments	-	-	-
Prepaid expenses	-	-	-
	-	-	-
TOTAL ASSETS	\$ <u>186,532</u>	\$ <u>386,216</u>	\$ <u>478,699</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	186,532	-	478,699
Trusts payable	-	386,216	-
	-	386,216	-
TOTAL LIABILITIES	\$ <u>186,532</u>	\$ <u>386,216</u>	\$ <u>478,699</u>

<u>County Assessor</u>	<u>City Assessor</u>	<u>Emergency Management</u>	<u>State Levies</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 891,448	\$ 378,279	\$ 85,857	\$ 99	\$ 468,465	\$ 31,534
-	-	-	-	-	-
-	-	2,343	-	-	-
1,985	429	-	23	105,265	7,096
980,356	709,508	-	99,527	85,907,941	6,444,920
-	-	39,882	-	-	-
<u>1,153</u>	<u>1,602</u>	<u>949</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1,874,942</u>	\$ <u>1,089,818</u>	\$ <u>129,031</u>	\$ <u>99,649</u>	\$ <u>86,481,671</u>	\$ <u>6,483,550</u>
\$ 6,877	\$ 2,442	\$ 8,161	\$ -	\$ -	\$ -
12,486	9,512	2,501	-	-	-
72,276	60,199	8,085	-	-	-
1,783,303	1,017,665	110,284	99,649	86,481,671	6,483,550
-	-	-	-	-	-
\$ <u>1,874,942</u>	\$ <u>1,089,818</u>	\$ <u>129,031</u>	\$ <u>99,649</u>	\$ <u>86,481,671</u>	\$ <u>6,483,550</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
Cash and pooled investments:			
County Treasurer	\$ 457,724	\$ 5,450	\$ 15,893
Other County officials	-	-	-
Receivables:			
Accounts receivable	-	-	684
Property tax:			
Delinquent	57,863	1,639	-
Succeeding year	93,905,139	816,161	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
	-	-	-
TOTAL ASSETS	\$ <u>94,420,726</u>	\$ <u>823,250</u>	\$ <u>16,577</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Compensated absences	-	-	-
Due to other governments	94,420,726	823,250	16,577
Trusts payable	-	-	-
	-	-	-
TOTAL LIABILITIES	\$ <u>94,420,726</u>	\$ <u>823,250</u>	\$ <u>16,577</u>

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Total</u>
\$ 405,037	\$ 2,479,874	\$ 71,034	\$ 273,599	\$ 5,566,872
-	-	-	-	571,304
66,647	-	-	-	71,118
-	-	-	-	174,891
-	-	-	-	189,339,081
-	-	-	-	39,882
-	-	-	-	3,704
<u>\$ 471,684</u>	<u>\$ 2,479,874</u>	<u>\$ 71,034</u>	<u>\$ 273,599</u>	<u>\$ 195,766,852</u>
\$ 1,471	\$ -	\$ 65,744	\$ -	\$ 84,695
-	-	-	-	24,499
-	-	-	-	140,560
470,213	2,479,874	5,290	273,599	195,130,882
-	-	-	-	386,216
<u>\$ 471,684</u>	<u>\$ 2,479,874</u>	<u>\$ 71,034</u>	<u>\$ 273,599</u>	<u>\$ 195,766,852</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	County Offices		<u>County Sheriff</u>
	<u>County Auditor</u>	<u>County Recorder</u>	
Balances beginning of year, as restated	\$ <u>          -</u>	\$ <u>  147,229</u>	\$ <u>  229,757</u>
Additions:			
Property and other County tax and state tax credits	-	-	-
E911 surcharge	-	-	-
Office fees and collections	120,738	2,456,764	799,786
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	3,459,170
Miscellaneous	-	-	-
Total additions	<u>  120,738</u>	<u>  2,456,764</u>	<u>  4,258,956</u>
Deductions:			
Agency remittances:			
To other funds	120,738	1,112,452	786,795
To other governments	-	1,305,009	13,265
Trusts paid out	-	-	3,302,437
Total deductions	<u>  120,738</u>	<u>  2,417,461</u>	<u>  4,102,497</u>
Balances end of year	\$ <u>          -</u>	\$ <u>  186,532</u>	\$ <u>  386,216</u>

<u>Agriculture Extension</u>	<u>County Assessor</u>	<u>City Assessor</u>	<u>Emergency Management</u>	<u>State Levies</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ <u>474,293</u>	\$ <u>1,988,714</u>	\$ <u>1,078,806</u>	\$ <u>184,885</u>	\$ <u>83,894</u>	\$ <u>84,644,724</u>	\$ <u>5,709,935</u>
476,349	1,017,567	690,861	3,090,515	99,882	87,619,246	6,560,912
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>476,349</u>	<u>1,017,567</u>	<u>690,861</u>	<u>3,090,515</u>	<u>99,882</u>	<u>87,619,246</u>	<u>6,560,912</u>
-	-	-	-	-	-	-
471,943	1,131,339	679,849	3,146,369	84,127	85,782,299	5,787,297
-	-	-	-	-	-	-
<u>471,943</u>	<u>1,131,339</u>	<u>679,849</u>	<u>3,146,369</u>	<u>84,127</u>	<u>85,782,299</u>	<u>5,787,297</u>
\$ <u>478,699</u>	\$ <u>1,874,942</u>	\$ <u>1,089,818</u>	\$ <u>129,031</u>	\$ <u>99,649</u>	\$ <u>86,481,671</u>	\$ <u>6,483,550</u>

JOHNSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>
Balances beginning of year, as restated	\$ <u>93,360,206</u>	\$ <u>799,260</u>	\$ <u>12,057</u>
Additions:			
Property and other County tax and state tax credits	94,922,482	822,789	244,107
E911 surcharge	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>94,922,482</u>	<u>822,789</u>	<u>244,107</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	93,861,962	798,799	239,587
Trusts paid out	-	-	-
Total deductions	<u>93,861,962</u>	<u>798,799</u>	<u>239,587</u>
Balances end of year	\$ <u>94,420,726</u>	\$ <u>823,250</u>	\$ <u>16,577</u>

<u>E911 Surcharge</u>	<u>Auto License and Use Tax</u>	<u>Empowerment Board</u>	<u>Tax Sales</u>	<u>Flood Control</u>	<u>Total</u>
\$ <u>427,091</u>	\$ <u>2,383,234</u>	\$ <u>246,509</u>	\$ <u>361,374</u>	\$ <u>-</u>	\$ <u>192,131,968</u>
-	-	794,032	-	-	196,338,742
293,447	-	-	-	-	293,447
-	-	-	-	-	3,377,288
-	29,520,141	-	-	-	29,520,141
-	-	-	-	-	3,459,170
-	-	-	2,330,658	22,745	2,353,403
<u>293,447</u>	<u>29,520,141</u>	<u>794,032</u>	<u>2,330,658</u>	<u>22,745</u>	<u>235,342,191</u>
-	-	-	-	22,745	2,042,730
248,854	29,423,501	969,507	2,418,433	-	226,362,140
-	-	-	-	-	3,302,437
<u>248,854</u>	<u>29,423,501</u>	<u>969,507</u>	<u>2,418,433</u>	<u>22,745</u>	<u>231,707,307</u>
\$ <u>471,684</u>	\$ <u>2,479,874</u>	\$ <u>71,034</u>	\$ <u>273,599</u>	\$ <u>-</u>	\$ <u>195,766,852</u>

JOHNSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>				
Property and other County tax	\$ 43,064,225	\$ 42,807,106	\$ 41,076,815	\$ 39,070,345
Interest and penalty on property tax	566,085	395,959	490,122	324,254
Intergovernmental	24,161,443	20,933,586	21,216,527	21,999,336
Licenses and permits	579,650	505,578	489,658	490,984
Charges for service	4,068,724	3,785,002	3,581,173	3,480,681
Use of money and property	280,324	334,429	465,921	673,363
Miscellaneous	<u>2,128,204</u>	<u>777,200</u>	<u>1,019,237</u>	<u>780,778</u>
Total revenues	\$ <u>74,848,655</u>	\$ <u>69,538,860</u>	\$ <u>68,339,453</u>	\$ <u>66,819,741</u>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	\$ 19,266,352	\$ 19,737,412	\$ 25,319,933	\$ 25,195,898
Physical health and social services	8,046,818	8,121,773	8,498,353	7,686,737
Mental health	12,999,800	12,743,965	11,375,172	12,068,767
County environment and education	3,321,442	3,230,084	3,244,086	2,991,567
Roads and transportation	7,592,330	7,212,691	7,129,285	7,590,893
Governmental services to residents	1,932,431	1,892,552	1,934,739	2,051,121
Administration	6,803,964	6,564,119	6,465,719	6,264,547
Non-program	3,005	5,400	978	2,320
Debt service	3,926,300	8,007,726	6,382,036	5,115,773
Capital projects	<u>7,716,047</u>	<u>9,814,804</u>	<u>6,935,520</u>	<u>15,657,116</u>
Total expenditures	\$ <u>71,608,489</u>	\$ <u>77,330,526</u>	\$ <u>77,285,821</u>	\$ <u>84,624,739</u>

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 32,672,807	\$ 29,433,991	\$ 27,085,150	\$ 25,643,264	\$ 24,596,847	\$ 24,006,429
432,445	374,642	375,395	278,470	311,322	284,957
22,164,502	19,528,390	17,668,730	16,583,058	15,628,260	15,027,205
596,826	404,730	528,659	478,236	424,448	439,361
3,250,980	3,031,430	3,035,389	2,913,707	3,138,414	3,030,099
1,354,192	1,655,734	1,185,885	734,308	379,088	671,680
560,066	1,133,246	885,704	505,562	370,696	389,089
<u>\$ 61,031,818</u>	<u>\$ 55,562,163</u>	<u>\$ 50,764,912</u>	<u>\$ 47,136,605</u>	<u>\$ 44,849,075</u>	<u>\$ 43,848,820</u>
\$ 14,341,229	\$ 13,282,979	\$ 12,797,233	\$ 11,941,799	\$ 11,111,743	\$ 10,197,204
7,541,627	7,371,545	7,132,324	6,332,194	6,368,969	5,938,444
13,027,696	12,390,697	10,712,349	10,140,316	9,529,981	8,896,526
2,791,688	2,686,185	2,461,700	2,325,169	2,183,913	2,078,719
7,884,688	6,291,001	5,957,011	5,838,452	5,504,698	5,244,849
1,881,126	1,846,463	1,716,886	1,722,204	1,602,117	1,600,354
5,803,518	5,959,893	5,374,237	5,168,099	4,705,144	4,847,683
2,400	-	600	600	11,816	600
792,902	811,802	-	3,995,146	3,617,328	9,198,554
8,312,991	3,310,759	6,491,702	1,449,068	2,411,700	2,138,624
<u>\$ 62,379,865</u>	<u>\$ 53,951,324</u>	<u>\$ 52,644,042</u>	<u>\$ 48,913,047</u>	<u>\$ 47,047,409</u>	<u>\$ 50,141,557</u>

JOHNSON COUNTY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>DIRECT:</u>		
Department of Energy:		
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$ 236,900
Department of Homeland Security:		
Assistance to Firefighters Grant	97.044	84,228
Department of the Interior:		
Payments in Lieu of Taxes	15.226	60,171
Department of Justice:		
State Criminal Alien Assistance Program	16.606	41,056
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	33,745
Total Direct		<u>456,100</u>
<u>INDIRECT:</u>		
Department of Agriculture:		
Iowa Department of Human Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	58,932
Iowa Department of Public Health:		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	461,539
Department of Defense:		
Iowa Treasurer of State:		
Payments to States in Lieu of Real Estate Taxes	12.112	30,326
Department of Energy:		
Iowa Economic Development Authority:		
State Energy Program	81.041	39,540
Department of Health and Human Services:		
Iowa Department of Human Services:		
Promoting Safe and Stable Families	93.556	37,548
Temporary Assistance for Needy Families	93.558	5,171
Child Support Enforcement	93.563	238,714
Refugee and Entrant Assistance - State Administered Programs	93.566	70
Child Care and Development Block Grant	93.575	155,228
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13,212
Foster Care - Title IV-E	93.658	21,485
Adoption Assistance	93.659	6,101
Social Services Block Grant	93.667	808,326
Children's Health Insurance Program	93.767	205
Medical Assistance Program	93.778	55,018
Genesis Health System:		
Public Health Emergency Preparedness	93.069	1,821
Iowa Department of Public Health:		
Public Health Emergency Preparedness	93.069	78,978
		<u>80,799</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,611
Immunization Cooperative Agreements	93.268	13,341

JOHNSON COUNTY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>INDIRECT: (Continued)</u>		
Department of Health and Human Services: (Continued)		
Iowa Department of Public Health: (Continued)		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	10,648
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	26,332
HIV Prevention Activities - Health Department Based	93.940	37,980
Maternal and Child Health Services Block Grant to the States	93.994	62,863
Department of Homeland Security:		
Iowa Homeland Security and Emergency Management:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	620,959
Hazard Mitigation Grant	97.039	131,226
Emergency Management Performance Grants	97.042	39,079
United Way of America:		
Emergency Food and Shelter National Board Program	97.024	2,036
Department of Housing and Urban Development:		
Iowa Department of Economic Development:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	59,350
Department of Justice:		
City of Iowa City:		
Public Safety Partnership and Community Policing Grants	16.710	5,701
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23,281
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories - ARRA	16.803	53,728
Department of Transportation:		
East Central Iowa Council of Governments:		
Formula Grants for Other Than Urbanized Areas	20.509	43,158
Iowa Department of Public Safety:		
State and Community Highway Safety	20.600	16,339
Iowa Department of Transportation:		
Highway Planning and Construction	20.205	1,485,479
Highway Planning and Construction - ARRA	20.205	39,561
		<u>1,525,040</u>
Iowa Homeland Security and Emergency Management:		
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2,705
Department of the Treasury:		
Iowans for Social and Economic Development:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	3,676
Total Indirect		<u>4,691,267</u>
Total		<u>\$ 5,147,367</u>

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

See Accompanying Independent Auditor's Report



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

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David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

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

To the Officials of Johnson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Johnson 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 March 28, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Johnson County, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Johnson County, Iowa'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 Johnson County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Johnson County, Iowa'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 weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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

Compliance and Other Matters

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

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.

Johnson County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Johnson County, Iowa'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 Johnson County, Iowa and other parties to whom Johnson County, Iowa 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 Johnson County, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

A handwritten signature in black ink that reads "Anderson, Larkin & Co. P.C." with a small flourish at the end.

Ottumwa, Iowa  
March 28, 2013



ANDERSON, LARKIN & CO. P.C.  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Officials of Johnson County, Iowa

Compliance

We have audited Johnson County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Johnson County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Johnson County, Iowa's management. Our responsibility is to express an opinion on Johnson County, Iowa's compliance based on our audit.

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

In our opinion, Johnson County, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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. We identified no deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Johnson County, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Johnson County, Iowa'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 Johnson County, Iowa and other parties to whom Johnson County, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

A handwritten signature in cursive script that reads "Anderson, Larkin & Co. P.C.".

Ottumwa, Iowa  
March 28, 2013

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's 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.
- d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Numbers:
  - 20.205 Highway Planning and Construction
  - 10.557 Special Supplemental Nutrition Program for Woman, Infants and Children
  - 93.667 Social Services Block Grant
  - 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Johnson County, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

12-II-A Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2011, it was determined that the County's had mistakenly miscalculated future tax revenues in the prior year. This item is discussed in Note 15 of the current year financial statements.

Recommendation – Procedures should be implemented to ensure that all future tax revenues are correctly reported in the future.

Response – We have implemented procedures to ensure that future tax revenues are correctly reported in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting

- 12-IV-A Certified Budget – Disbursements for the year ended June 30, 2012 did not exceed the amounts budgeted
- 12-IV-B 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.
- 12-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 12-IV-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 12-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 12-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 12-IV-H 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).
- 12-IV-I 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.
- 12-IV-J Early Childhood Iowa Area Board – Johnson County, Iowa is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.