Financial Statements
June 30, 2012

Louisa County

Louisa County

Name	Title	Term Expires
Randy Griffin	Board of Supervisors	December 2014
Chris Ball	Board of Supervisors	December 2012
Paula Buckman	Board of Supervisors	December 2012
Sylvia Belzer	County Auditor	December 2012
Vicki Frank	County Treasurer	December 2014
Leanne Black	County Recorder	December 2014
Brad Turner	County Sheriff	December 2012
Adam Parsons	County Attorney	December 2014
Gregory Johnson	County Assessor	*

* Appointed by County

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Officials of Louisa County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Eide Bailly LLP

Dubuque, Iowa
December 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 29% or approximately $3,425,000 from $11,642,000 for fiscal year 2011 to $15,067,000 for fiscal year 2012. This was largely due to an increase in Capital Grants and Contributions of $3,216,000 over prior year, the majority of which was received for road projects. Revenue from Property and other County tax increased approximately $337,000 or 6% over prior year; from $5,767,000 to $6,104,000.

- Program expenses were about the same as prior year, increasing by less than 0.5% from $11,038,000 in fiscal year 2011 to $11,081,000 in fiscal year 2012. Increased expenditures in Public Safety, Mental Health, and County Environment & Education of $939,000 in 2012 were nearly offset by decreases in operating expenses in Roads and Transportation; Physical Health & Social Services; and Administration.

- The County's gross assets increased approximately $6,056,000 from $33,409,000 on June 30, 2011 to $39,465,000 on June 30, 2012. This increase was mostly due to the timing of money held in escrow for bond refunding ($2,496,000) and an increase in depreciable infrastructure assets (roads). Net assets increased by $3,986,000 from $23,243,000 to $27,229,000. The increase was due to the increase in infrastructure assets, as the escrow for bond refunding was offset by an increase in long-term bond liabilities.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds, Special Revenue Funds, and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

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

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

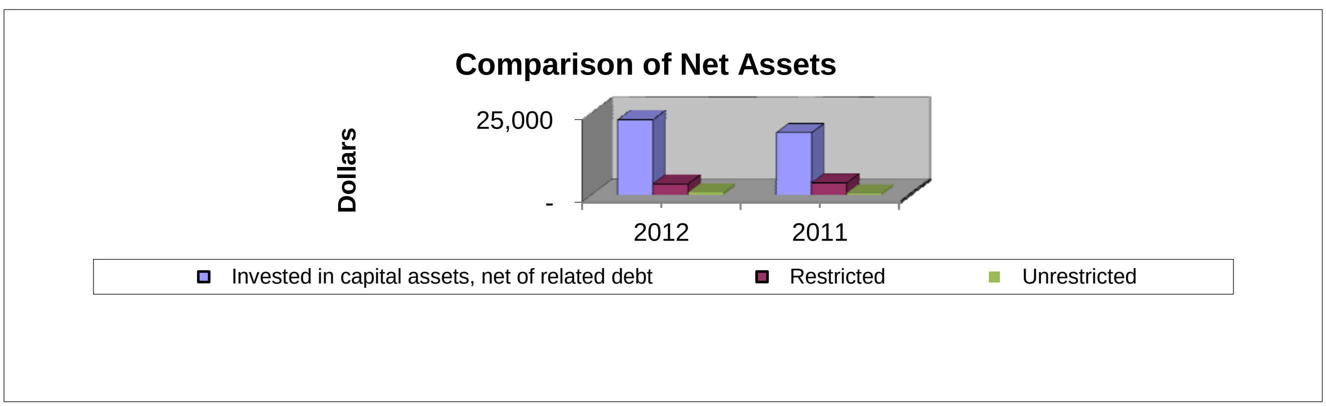
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets, and the changes in asset balances over time, can serve as a useful indicator of financial position. As noted earlier, Louisa County's combined net assets increased from $23.2 million to $27.2 million. The analysis that follows focuses on the changes in net assets of governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

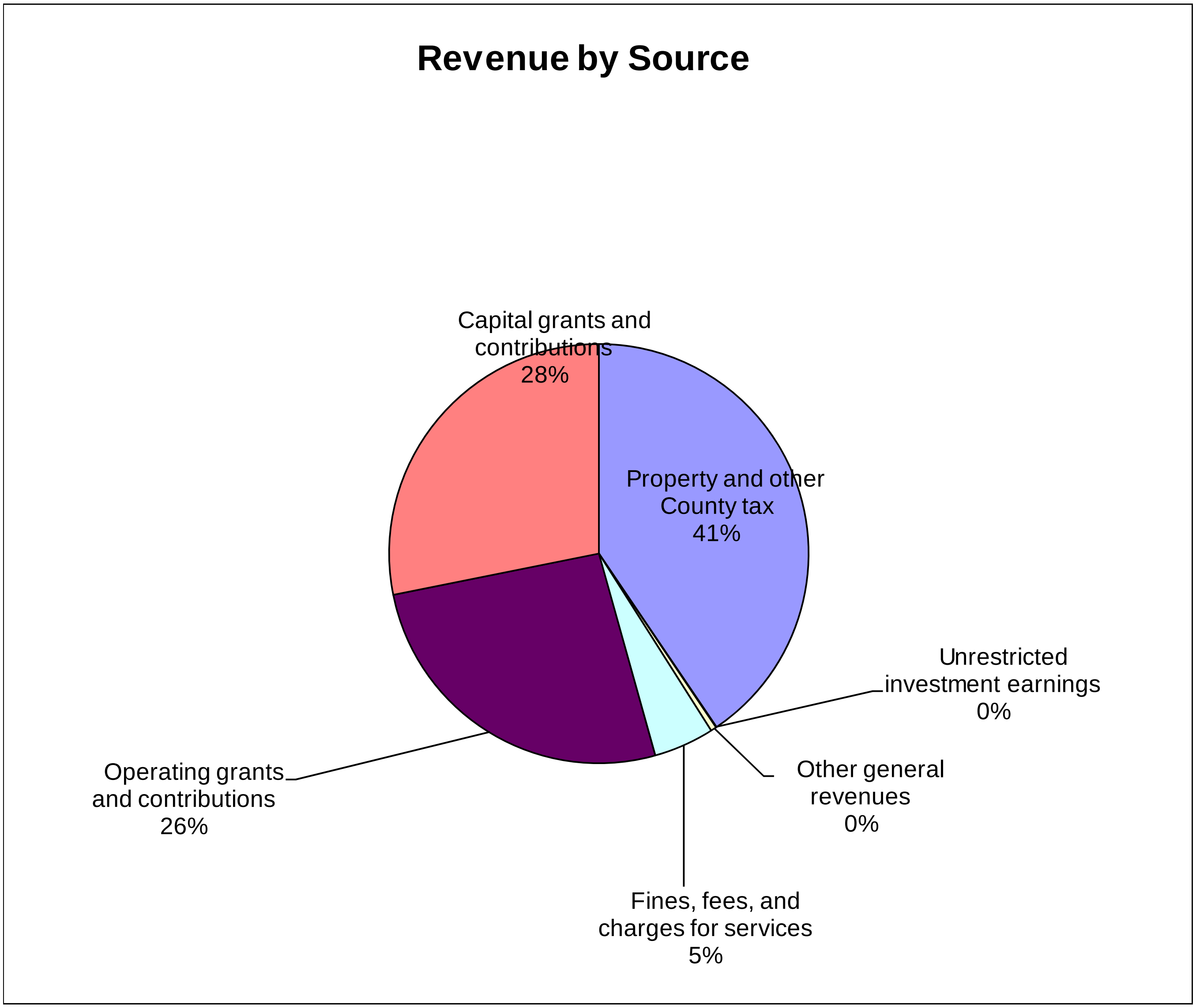
	June 30, 2012	June 30, 2011
Current and Other Assets	$ 13,317	$ 10,740
Capital Assets	26,148	22,309
Total assets	39,465	33,049
Long-Term Liabilities	5,962	3,624
Other Liabilities	6,274	6,182
Total liabilities	12,236	9,806
Net Assets:		
Invested in capital assets, net of related debt	23,072	19,007
Restricted	3,419	3,704
Unrestricted	738	532
Total net assets	$ 27,229	$ 23,243

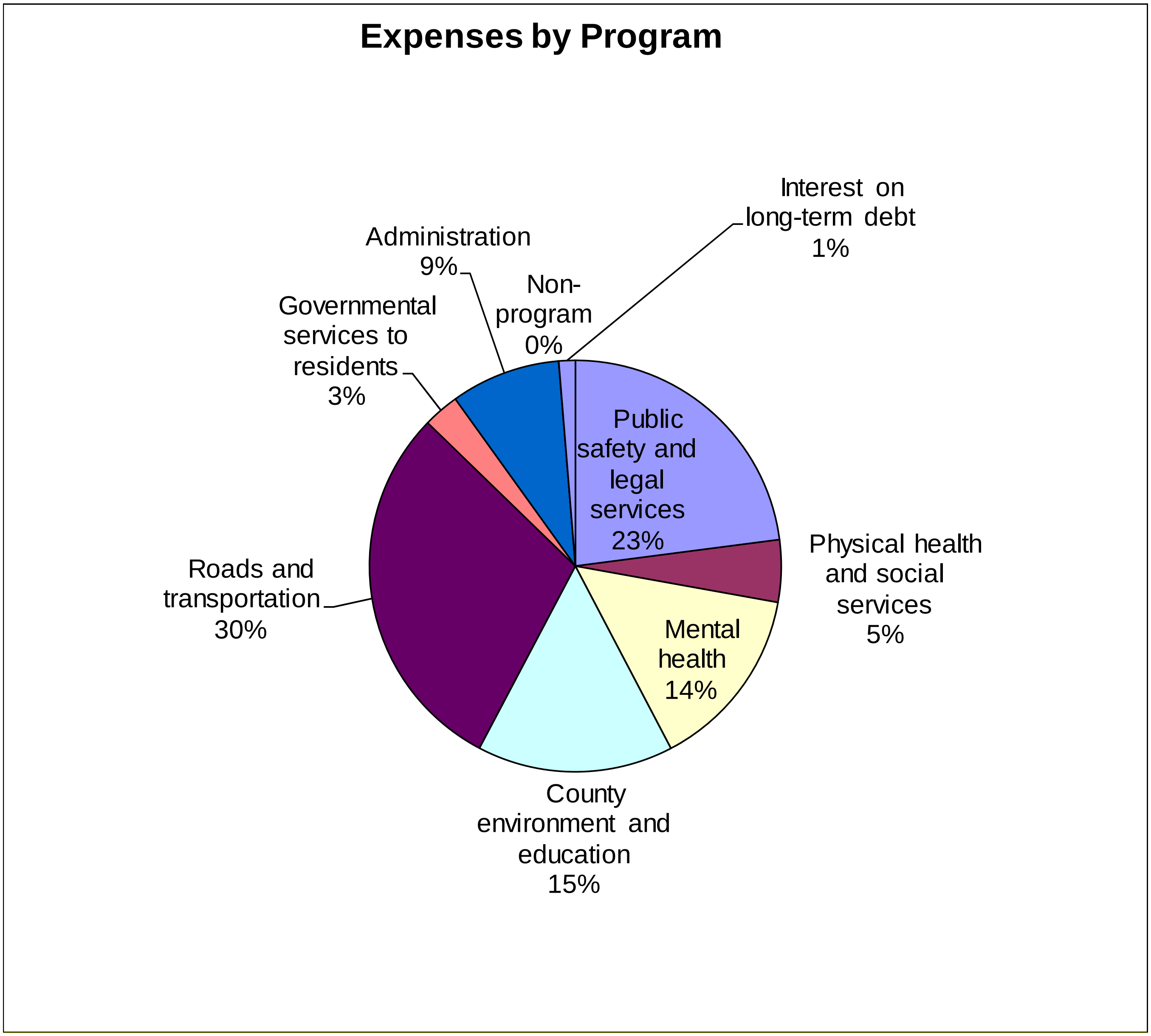


Net assets of Louisa County's governmental activities increased by $3,986,000 or 17% from prior year ($27.2 million compared to $23.2 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from approximately $532,000 at June 30, 2011, to approximately $738,000 at the end of this fiscal year.

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

	Year Ended June 30,	
	2012	2011
Program Revenues:		
Fines, fees, and charges for services	$ 703	$ 751
Operating grants and contributions	3,944	4,045
Capital grants and contributions	4,242	1,026
General Revenues:		
Property and other County tax	6,104	5,767
Unrestricted investment earnings	8	12
Other general revenues	66	41
Total revenues	15,067	11,642
Program Expenses:		
Public safety and legal services	2,542	2,277
Physical health and social services	542	626
Mental health	1,606	1,329
County environment and education	1,706	1,309
Roads and transportation	3,274	4,047
Governmental services to residents	313	300
Administration	954	997
Non-program	1	14
Interest on long-term debt	143	139
Total expenses	11,081	11,038
Increase in Net Assets	3,986	604
Net Assets Beginning of the Year	23,243	22,639
Net Assets End of the Year	$ 27,229	$ 23,243


Revenue by Source
Capital grants and contributions 28%
Property and other County tax 41%
Unrestricted investment earnings 0%
Other general revenues 0%
Fines, fees, and charges for services 5%
Operating grants and contributions 26%


Expenses by Program
Interest on long-term debt 1%
Administration 9%
Non-program 0%
Governmental services to residents 3%
Public safety and legal services 23%
Physical health and social services 5%
Roads and transportation 30%
Mental health 14%
County environment and education 15%

Revenues from governmental activities, which includes Program Revenues and General Revenues, increased by approximately $3,425,000 over the prior year; from $11,642,000 to $15,067,000. The County's Program Revenues increased by $3,067,000 from approximately $5,822,000 in 2011 to $8,889,000 in 2012. This increase was principally due to revenue from capital grants and contributions which increased $3,216,000; from $1,026,000 in 2011 to $4,242,000 in the current year. General Revenues, which comes mostly from property and other county tax, increased by approximately $358,000; from $5,820,000 to $6,178,000.

The cost of all governmental activities during fiscal year 2012 increased approximately $43,000 or less than .5%; from $11,038,000 in 2011 to $11,081,000 in 2012. Property and other county taxes of $6,104,000 finance about 55% of these expenses, and program revenues covered the remaining portion. Program revenues are derived mostly from grants and contributions from other governments and organizations that subsidized certain programs. Program revenues also included $703,000 collected in fines, fees and charges for services, which were down $48,000 from last year.

INDIVIDUAL MAJOR FUND ANALYSIS

- As Louisa County completed the year, its governmental funds reported a combined fund balance of $6,475,000, an increase of $2,273,000 over prior year. The majority of the increase relates to $2.5 million in resources held in escrow for bond refunding at June 30, 2012.

- As shown in Exhibit E of the financial statements, General Fund Revenue increased by $1,073,000 and expenditures increased by $376,000. The ending General Fund balance showed an increase of approximately $727,000 from the prior year to approximately $1,335,000.

- Rural Services Fund revenues and expenditures remained stable, compared to prior year. The ending fund balance showed an increase of approximately $118,000 from the prior year to approximately $141,000.

- The County has continued to look for ways to effectively manage the cost of mental health services. Revenues for fiscal year 2012 totaled approximately $1,138,000, which is consistent with the prior year. Expenditures totaled approximately $1,606,000, an increase of 21% over prior year. The Mental Health Fund balance at year end decreased by approximately $468,000, from a balance of $505,000 at the beginning of the year to a balance of $37,000 on June 30, 2012.

- Secondary Roads Fund expenditures increased by approximately $1,209,000 over the prior year due to county road and bridge projects. Revenues increased by approximately $1,185,000 over the prior year as funding for these projects was largely from capital federal grants. The increase in expenditures and revenues resulted in a decrease in the Secondary Roads Fund's ending balance of approximately $330,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget two times. The amendments were to allow increased appropriations and were made in November and May. In November appropriations were increased $1.7 million for the Great River Road Project. In May appropriations were increased by $525,000 for sheriff overtime, supported community living and care facilities, and roads and transportation. This information is available at the County Auditor's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the County had approximately $26 million invested in a broad range of capital assets, including buildings, park facilities, roads and bridges.

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

	June 30,	
	2012	2011
Land	$ 7,856	$ 7,452
Construction in Progress	995	631
Buildings and Improvements	4,774	4,570
Machinery and Equipment	842	974
Infrastructure	11,681	8,682
Total	$ 26,148	$ 22,309

The County had depreciation expense of approximately $837,000 for the year ended June 30, 2012, and total accumulated depreciation as of June 30, 2012, of approximately $8,671,000. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Liabilities

At June 30, 2012, Louisa County had approximately $5,962,000 in bond debt and other liabilities, as shown below.

Outstanding Liabilities of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30, 2012	June 30, 2011
General Obligation Bonds	$ 5,630	$ 3,302
Net OPEB Liability	57	38
Compensated Absences	275	284
Total	$ 5,962	$ 3,624

Louisa County has debt outstanding at June 30, 2012 of $5,630,000. During 2012, the County issued $2,520,000 in general obligation refunding bonds. This refunding was undertaken to reduce total debt service payments by $123,753 and to obtain an economic gain of $110,224. When netted against the "Resources held in escrow for Bond Refunding", the net amount is $3,144,000. The bonds will be paid with revenue from the Local Option Sales and Services Tax. Louisa County does not have a tax for debt service.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Louisa County's outstanding general obligation debt is significantly below this $37 million limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Louisa County has a small population of 11,387, which decreased from 12,183 to 11,387 with the 2011 Census. The loss of 796 in population will affect the county in economic terms. The Board interprets the economic situation from the knowledge they have from news, local conditions and information from the Iowa State Association of Counties. For fiscal year 2013, countywide valuation increased about 9.7 million, which provided $89,357 additional tax and utility replacement dollars. Each year, the Compensation Board recommends salaries for elected officials, subject to approval by the Board of Supervisors. For fiscal year 2013, the Board approved an increase in salaries for the elected officials that ranged from 0% for the county supervisors to 2.4% for the county attorney and sheriff. Based on approved budgets for 2013 fiscal year, the tax rate for General Basic decreased to $4.20618 from $4.23970. The General Supplemental levy decreased to $1.90855 from $1.9526. The Rural Services Basic rate was unchanged at $2.72366, and the Mental Health levy increased to $1.00302 from $.91919. The total combined tax rates for fiscal year 2013 increased to 9.84141 from 9.83281. The transfer from Rural Services to Secondary Roads remained the same as fiscal year 2012, at $1,117,761. A transfer from General Basic to Secondary Roads was not made.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Louisa County, 117 S. Main, Wapello, Iowa.

Basic Financial Statements

Louisa County

	Governmental Activities
Assets	
Cash and Pooled Investments	$ 4,122,490
Receivables:	
Property tax:	
Delinquent	28,953
Succeeding year	5,581,530
Interest and penalty on property tax	42,461
Accounts	2,952
Accrued interest	862
Due from Other Governments	914,683
Prepaid Expenses	126,163
Resources Held in Escrow for Bond Refunding	2,496,225
Capital Assets:	
Capital assets, not being depreciated	8,850,602
Capital assets (net of accumulated depreciation)	17,297,728
Total assets	39,464,649
Liabilities	
Accounts Payable	292,766
Salaries and Benefits Payable	46,550
Accrued Interest Payable	21,123
Due to Other Governments	276,890
Unearned Revenue:	
Succeeding year property tax	5,581,530
Other	55,000
Long-Term Liabilities:	
Portion due or payable within one year:	
Bonds payable	235,000
Compensated absences	218,559
Portion due or payable after one year:	
Bonds payable	5,394,537
Compensated absences	56,767
Net OPEB liability	57,021
Total liabilities	12,235,743

	Governmental Activities
Net Assets	
Invested in Capital Assets, Net of Related Debt	$ 23,072,165
Restricted For:	
Supplemental levy purposes	319,381
Rural services purposes	140,995
Mental health purposes	36,885
Secondary roads purposes	1,745,971
Other purposes	1,175,705
Unrestricted	737,804
Total net assets	$ 27,228,906

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Functions/Programs:					
Governmental Activities:					
Public safety and legal services	$ 2,541,705	$ 226,137	$ 2,264	$ -	$ (2,313,304)
Physical health and social services	541,835	177,647	181,290	-	(182,898)
Mental health	1,606,535	1,417	633,943	-	(971,175)
County environment and education	1,705,850	74,588	1,506,949	733,521	609,208
Roads and transportation	3,274,059	10,788	1,604,527	3,508,118	1,849,374
Governmental services to residents	312,516	171,536	4,248	-	(136,732)
Administration	954,174	40,401	10,817	-	(902,956)
Non-program	703	-	-	-	(703)
Interest on long-term debt	143,193	-	-	-	(143,193)
Total Governmental Activities	$ 11,080,570	$ 702,514	$ 3,944,038	$ 4,241,639	(2,192,379)
General Revenues:					
Property and other County tax levied for:					
General purposes					5,357,411
Penalty and interest on property tax					45,544
State tax credits					159,277
Local option sales tax					541,292
Unrestricted investment earnings					8,461
Miscellaneous					66,408
Total General Revenues					6,178,393
Change in Net Assets					3,986,014
Net Assets Beginning of Year					23,242,892
Net Assets End of Year					$ 27,228,906

	General	Special	
		Rural Services	Secondary Roads
Assets			
Cash and Pooled Investments	$ 1,161,917	$ 142,510	$ 1,373,016
Receivables:			
Property tax:			
Delinquent	22,347	3,288	-
Succeeding year	3,665,046	1,315,295	-
Interest and penalty on property tax	42,461	-	-
Accounts	2,952	-	-
Accrued interest	849	-	-
Due From Other Governments	250,799	-	604,274
Prepaid Expenses	107,014	-	13,908
Resources Held in Escrow for Bond Refunding	-	-	-
Total assets	$ 5,253,385	$ 1,461,093	$ 1,991,198
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 96,237	$ -	$ 173,830
Salaries and benefits payable	27,908	2,245	16,397
Due to other governments	1,955	-	-
Deferred revenue:			
Succeeding year property tax	3,665,046	1,315,295	-
Other	126,879	2,558	511,505
Total liabilities	3,918,025	1,320,098	701,732
Fund Balances:			
Nonspendable	107,014	-	13,908
Restricted	319,381	140,995	1,275,558
Unassigned	908,965	-	-
Total fund balances	1,335,360	140,995	1,289,466
Total liabilities and fund balances	$ 5,253,385	$ 1,461,093	$ 1,991,198

See Notes to Financial Statements

Revenue: Mental Health	Revenue: Local Option Sales Tax	Revenue: County Grants	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 331,234	$ 805,764	$ 16,697	$ 580	$ 290,772	$ 4,122,490
3,318	-	-	-	-	28,953
601,189	-	-	-	-	5,581,530
-	-	-	-	-	42,461
-	-	-	-	-	2,952
-	-	-	-	13	862
-	59,610	-	-	-	914,683
2,174	-	-	-	3,067	126,163
-	-	-	2,496,225	-	2,496,225
$ 937,915	$ 865,374	$ 16,697	$ 2,496,805	$ 293,852	$ 13,316,319
$ 22,481	$ -	$ -	$ -	$ 218	$ 292,766
-	-	-	-	-	46,550
274,935	-	-	-	-	276,890
601,189	-	-	-	-	5,581,530
2,425	-	-	-	-	643,367
901,030	-	-	-	218	6,841,103
2,174	-	-	-	3,067	126,163
34,711	865,374	16,697	2,496,805	290,567	5,440,088
-	-	-	-	-	908,965
36,885	865,374	16,697	2,496,805	293,634	6,475,216
$ 937,915	$ 865,374	$ 16,697	$ 2,496,805	$ 293,852	$ 13,316,319

Total Governmental Fund Balances		$ 6,475,216
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.		
These assets consist of:		
Land	$ 7,855,849	
Construction in progress	994,753	
Infrastructure, net of $2,994,382 accumulated depreciation	11,681,594	
Buildings and improvements, net of $1,437,533 accumulated depreciation	4,774,306	
Machinery and equipment, net of $4,238,910 accumulated depreciation	841,828	
Total capital assets		26,148,330
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:		
Property taxes and intergovernmental		588,367
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets.		
Balances at June 30, 2012, are:		
Accrued interest on bonds	(21,123)	
Bonds payable	(5,629,537)	
Compensated absences	(275,326)	
Net OPEB liability	(57,021)	
Total long-term liabilities		(5,983,007)
Net Assets of Governmental Activities		$ 27,228,906

		Special	
	General	Rural Services	Secondary Roads
Revenues:			
Property and other County tax	$ 3,547,528	$ 1,267,552	$ -
Interest and penalty on property tax	45,544	-	-
Intergovernmental	1,181,493	33,658	3,614,133
Licenses and permits	18,584	-	1,285
Charges for service	538,133	-	42
Use of money and property	26,063	-	-
Miscellaneous	27,172	-	9,462
Total revenues	5,384,517	1,301,210	3,624,922
Expenditures:			
Operating:			
Public safety and legal services	2,414,675	2,245	-
Physical health and social services	525,955	-	-
Mental health	-	-	-
County environment and education	648,280	70,960	-
Roads and transportation	-	34,000	2,977,934
Governmental services to residents	299,004	-	-
Administration	858,206	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	348,101	-	2,052,349
Total expenditures	5,094,221	107,205	5,030,283
Excess (Deficiency) of Revenues Over (Under) Expenditures	290,296	1,194,005	(1,405,361)
Other Financing Sources (Uses):			
Sale of capital assets	3,271	-	-
Transfers in	500,000	-	1,075,611
Transfers out	(66,673)	(1,075,611)	-
Refunding bonds issued	-	-	-
Premium on refunding bonds issued	-	-	-
Total Other Financing Sources (Uses)	436,598	(1,075,611)	1,075,611
Net Change in Fund Balances	726,894	118,394	(329,750)
Fund Balances Beginning of Year	608,466	22,601	1,619,216
Fund Balances End of Year	$ 1,335,360	$ 140,995	$ 1,289,466

See Notes to Financial Statements

Revenue					
Mental Health	Local Option Sales Tax	County Grants	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 526,656	$ 541,292	$ -	$ -	$ 3,014	$ 5,886,042
-	-	-	-	-	45,544
610,422	-	1,577,418	-	11,453	7,028,577
-	-	-	-	-	19,869
-	-	-	-	11,443	549,618
-	-	-	-	192	26,255
1,417	-	-	-	687	38,738
1,138,495	541,292	1,577,418	-	26,789	13,594,643
-	-	-	-	37,498	2,454,418
-	-	-	-	-	525,955
1,606,432	-	-	-	-	1,606,432
-	-	1,560,396	-	-	2,279,636
-	-	-	-	-	3,011,934
-	-	-	-	2,978	301,982
-	-	-	-	-	858,206
-	-	-	-	703	703
-	-	-	415,887	-	415,887
-	-	-	-	25,228	2,425,678
1,606,432	-	1,560,396	415,887	66,407	13,880,831
(467,937)	541,292	17,022	(415,887)	(39,618)	(286,188)
-	-	-	-	-	3,271
-	-	-	359,320	66,673	2,001,604
-	(859,320)	-	-	-	(2,001,604)
-	-	-	2,520,000	-	2,520,000
-	-	-	33,372	-	33,372
-	(859,320)	-	2,912,692	66,673	2,556,643
(467,937)	(318,028)	17,022	2,496,805	27,055	2,270,455
504,822	1,183,402	(325)	-	266,579	4,204,761
$ 36,885	$ 865,374	$ 16,697	$ 2,496,805	$ 293,634	$ 6,475,216

Net Change in Fund Balances - Total Governmental Funds		$ 2,270,455
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 3,438,753	
Contributed capital assets	1,244,109	
Depreciation expense	(836,663)	
		3,846,199
In the Statement of Activities, only the gain or the loss of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balances by the book value of assets being disposed.		(6,822)
Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		
Issued	(2,553,372)	
Repayments	230,000	(2,323,372)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property tax	12,379	
Miscellaneous revenue	11,444	
Grant proceeds	200,740	
		224,563
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:		
Interest on debt	(10,388)	
Amortization of bond discount	(3,985)	
Compensated absences	8,371	
Net OPEB liability	(19,007)	
		(25,009)
Change in Net Assets of Governmental Activities		$ 3,986,014

Assets	
Cash and Pooled Investments:	
County Treasurer	$ 900,922
Other County officials	7,924
Drainage districts	225,127
Receivables:	
Property tax:	
Delinquent	100,443
Succeeding year	12,102,292
Accounts	6,528
Accrued interest	27
Drainage assessments	2,030
Special assessments	30,825
Due from Other Governments	7,019
Prepaid Expenses	3,869
Total assets	13,387,006
Liabilities	
Accounts Payable	28,015
Due to Other Governments	13,358,991
Total liabilities	13,387,006
Net Assets	$ -

Note 1 - Summary of Significant Accounting Policies

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

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

Reporting Entity

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

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

Blended Component Units

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

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

Jointly Governed Organizations

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

Basis of Presentation

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

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

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

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

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

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 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:

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

Special Revenue Funds – 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 Rural Services Funds, and other revenues to be used for secondary road construction and maintenance. The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services. The Local Option Sales Tax Fund is used to account for collection and use of local option sales tax revenue. The County Grants Fund is used to account for non-routine grants, such as those related to the flood of 2008.

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

Additionally, the County reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid either using 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 County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities, and Fund Equity

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

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

Resources Held in Escrow for Bond Refunding – As part of a crossover bond refunding, the County has purchased special obligations of the U.S. Treasury. They are held in escrow and will mature to fund the debt service requirements of the refunded debt through June 1, 2015.

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have not been collected.

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

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

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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building improvements	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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

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

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

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

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 and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

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

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

Fund Balance Classification	Purpose	Fund	Amount
Nonspendable	Prepaids	General	$ 107,014
		Secondary Roads	13,908
		Mental Health	2,174
		Non-major Governmental Funds	3,067
			$ 126,163
Restricted	Supplemental Levy Purposes	General	$ 319,381
	Rural Services	Rural Services	140,995
	Secondary Roads	Secondary Roads	1,275,558
	Mental Health	Mental Health	34,711
	Debt Service	Local Option Sales Tax	865,374
		Debt Service	2,496,805
	Flood Grants	County Grants	16,697
	Records Management	Non-major Governmental Funds	10,318
	Conservation	Non-major Governmental Funds	75,516
	Drainage	Non-major Governmental Funds	46,895
	Investigations	Non-major Governmental Funds	39,432
	Projects	Non-major Governmental Funds	118,406
			$ 5,440,088

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amount budgeted for any functions.

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's only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $3,443,250 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit Risk. The County's investment policy limits investments 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. The investment in the Iowa Public Agency Investment Trust is unrated.

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 – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's deposits are 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County 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 investments with a counterparty during the year ended June 30, 2012.

Note 3 - Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Local Option Sales Tax	$ 500,000
Secondary Roads	Rural Services	1,075,611
Debt Service	Local Option Sales Tax	359,320
Nonmajor Governmental Funds	General	66,673
		$ 2,001,604

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

Note 4 - Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 7,452,060	$ 403,789	$ -	$ 7,855,849
Construction in progress	631,050	3,846,474	3,482,771	994,753
Total capital assets, not being depreciated	8,083,110	4,250,263	3,482,771	8,850,602
Capital assets being depreciated:				
Buildings and improvements	5,900,101	332,000	20,262	6,211,839
Machinery and equipment	4,953,716	159,453	32,431	5,080,738
Infrastructure	11,252,059	3,423,917	-	14,675,976
Total capital assets, being depreciated	22,105,876	3,915,370	52,693	25,968,553
Less accumulated depreciation for:				
Buildings and improvements	1,330,433	120,540	13,440	1,437,533
Machinery and equipment	3,979,735	291,606	32,431	4,238,910
Infrastructure	2,569,865	424,517	-	2,994,382
Total accumulated depreciation	7,880,033	836,663	45,871	8,670,825
Total capital assets, being depreciated, net	14,225,843	3,078,707	6,822	17,297,728
Governmental Activities Capital Assets, Net	$ 22,308,953	$ 7,328,970	$ 3,489,593	$ 26,148,330

Depreciation expense was charged to the following functions of the County:

Governmental Activities:		
Public safety and legal services	$	114,932
Physical health and social services		5,539
Mental health		2,987
County environment and education		35,938
Roads and transportation		630,978
Governmental services to residents		10,456
Administration		35,833
Total depreciation expense - governmental activities	$	836,663

Construction Commitment – The County has entered into a contract totaling $1,582,771 for a road overlay project. As of June 30, 2012, no costs on the contract have been incurred. The contract will be paid as work on the project progresses and will be funded through federal and state grants.

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:

Fund	Description		Amount
General	Services	$	1,955
Special Revenue:			
Mental Health	Services		274,935
Total for governmental funds		$	276,890
Agency:			
County Recorder	Collections	$	7,856
County Sheriff			68
Agricultural Extension Education			182,956
County Assessor			437,079
Schools			9,498,275
Community Colleges			585,665
Corporations			1,411,334
Townships			272,085

Fund	Description	Amount
Agency:		
Auto License and Use Tax	Collections	$ 228,585
Brucellosis and Tuberculosis Eradication		2,012
Fire Districts		142,317
E911 Surcharge		176,747
Joint Disaster Services		1,030
City Special Assessments		33,942
Drainage Districts		378,876
County Recorder's Electronic Fee		164
Total for agency funds		$ 13,358,991

Note 6 - Long-Term Liabilities

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

	General Obligation Bonds	Unamortized Bond Discounts	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	$ 3,350,000	$ (47,820)	$ 283,697	$ 38,014	$ 3,623,891
Increases	2,520,000	33,372	217,549	19,007	2,789,928
Decreases	230,000	(3,985)	225,920	-	451,935
Balance End of Year	$ 5,640,000	$ (10,463)	$ 275,326	$ 57,021	$ 5,961,884
Due Within One Year	$ 235,000	$ -	$ 218,559	$ -	$ 453,559

During 2012, the County issued $2,520,000 in general obligation refunding bonds. The proceeds of the refunding bonds were used to crossover refund $2,390,000 of the general obligation local option sales tax bonds, representing the 2016 through 2023 maturities. These maturities will be called for redemption on June 1, 2015. Until then, the proceeds of the refunding bonds will be deposited in an escrow account and invested in special obligations of the U.S. Treasury for the purpose of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments by $123,753 and to obtain an economic gain of $110,224.

A crossover refunding does not change the County's status as the primary obligor on the refunded debt. Consequently, there is no defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.25%	$ 235,000	$ 172,942	$ 407,942
2014	3.40%	245,000	157,982	402,982
2015	3.55%	2,640,000	149,652	2,789,652
2016	1.60%	300,000	43,930	343,930
2017	1.60%	305,000	39,130	344,130
2018-2022	1.60-1.80%	1,585,000	120,850	1,705,850
2023	2.10%	330,000	6,930	336,930
Total		$ 5,640,000	$ 691,416	$ 6,331,416

Note 7 - Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were $308,291, $257,059, and $238,735, respectively, equal to the required contributions for each year.

Note 8 - Risk Management

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

Louisa County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 contributions to the Pool for the year ended June 30, 2012, were $145,699.

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 on an individual-member basis.

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 $100,000 and $1,000,000, 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.

Note 9 - Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 69 active and 1 retired members in the Plan. Participants must be age 55 or older at retirement. The Plan does not issue a stand-alone financial report.

The medical coverage, which is a fully-insured medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Changes in OPEB Obligation:		
Annual Required Contribution	$	27,662
Interest on Net OPEB Obligation		-
Adjustments to Annual Required Contribution		-
Annual OPEB cost (expense)		27,662
Contributions Made		(8,655)
Increase in net OPEB obligation		19,007
Net OPEB Obligation, Beginning of Year		38,014
Net OPEB Obligation, End of Year	$	57,021

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed an estimated $8,655 to the medical plan. Plan members eligible for benefits contributed $4,573 or 100% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 27,662	31.3%	$ 57,021
June 30, 2011	27,662	31.3%	38,014
June 30, 2010	27,662	31.3%	19,007

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $245,137, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $245,137. The covered payroll (annual payroll of active employees covered by the Plan) was approximately $3,641,921 and the ratio of the UAAL to covered payroll was 6.73%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009, actuarial valuation date, the Projected Unit Credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate medical trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

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

Projected claim costs of the medical plan are $628 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10 - Prospective Accounting Pronouncement

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

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

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

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

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

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

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

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

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

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

Required Supplementary Information
June 30, 2012

Louisa County

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	Governmental Funds Actual	Budgeted Amounts Original	Budgeted Amounts Final
Receipts:			
Property and other County tax	$ 5,892,470	$ 5,888,919	$ 5,893,986
Interest and penalty on property tax	45,544	38,000	38,000
Intergovernmental	7,009,338	5,437,486	7,143,634
Licenses and permits	23,669	11,575	16,275
Charges for service	520,845	602,284	610,004
Use of money and property	27,032	34,273	34,273
Miscellaneous	37,958	56,207	57,299
Total receipts	13,556,856	12,068,744	13,793,471
Disbursements:			
Public safety and legal services	2,503,477	2,426,741	2,514,673
Physical health and social services	555,960	648,311	656,407
Mental health	1,521,942	1,398,998	1,523,998
County environment and education	2,280,641	2,658,998	2,659,598
Roads and transportation	3,100,463	3,188,763	3,451,763
Governmental services to residents	302,268	310,444	314,692
Administration	862,882	986,098	987,190
Debt service	369,263	359,320	369,844
Capital projects	2,425,764	765,183	2,490,183
Total disbursements	13,922,660	12,742,856	14,968,348
Deficiency of Receipts Under Disbursements	(365,804)	(674,112)	(1,174,877)
Other Financing Sources, Net	13,794	-	10,524
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(352,010)	(674,112)	(1,164,353)
Balance Beginning of Year	4,363,322	4,363,322	4,363,322
Balance End of Year	$ 4,011,312	$ 3,689,210	$ 3,198,969

Reconciliation Between Cash and Modified Accrual Basis:

	Governmental Funds Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 13,556,856	$ 37,787	$ 13,594,643
Expenditures	13,922,660	(41,829)	13,880,831
Net	(365,804)	79,616	(286,188)
Other Financing Sources, Net	13,794	2,542,849	2,556,643
Beginning Fund Balances	4,363,322	(158,561)	4,204,761
Ending Fund Balances	$ 4,011,312	$ 2,463,904	$ 6,475,216

Final to Net Variance - Positive (Negative)
$ (1,516)
7,544
(134,296)
7,394
(89,159)
(7,241)
(19,341)
(236,615)
11,196
100,447
2,056
378,957
351,300
12,424
124,308
581
64,419
1,045,688
809,073
3,270
812,343
-
$ 812,343

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

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

Formal and legal budgetary control is based upon 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 $2,225,492. The budget amendments are reflected in the final budgeted amounts.

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2012	7/1/2009	$ -	$ 245,137	$ 245,137	0.00%	$ 3,641,921	6.73%
2011	7/1/2009	-	245,137	245,137	0.00%	3,372,434	7.27%
2010	7/1/2009	-	245,137	245,137	0.00%	3,361,369	7.29%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

Other Supplementary Information
June 30, 2012

Louisa County

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	County Recorder's Records Management	Resource Enhancement and Protecton	Drainage Districts	Confidential Investigation
Assets				
Cash and Pooled Investments	$ 10,317	$ 75,504	$ 46,895	$ 39,650
Receivables:				
Accrued interest	1	12	-	-
Prepaid Expenses	3,067	-	-	-
Total assets	$ 13,385	$ 75,516	$ 46,895	$ 39,650
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 218
Fund Balances:				
Nonspendable	3,067	-	-	-
Restricted	10,318	75,516	46,895	39,432
Total fund balances	13,385	75,516	46,895	39,432
Total liabilities and fund balances	$ 13,385	$ 75,516	$ 46,895	$ 39,650

Capital Projects	Total
$ 118,406	$ 290,772
-	13
-	3,067
$ 118,406	$ 293,852
$ -	$ 218
-	3,067
118,406	290,567
118,406	293,634
$ 118,406	$ 293,852

	County Recorder's Records Management	Resource Enhancement and Protecton	Drainage Districts	Confidential Investigation
Revenues:				
Property and other County tax	$ -	$ -	$ 3,014	$ -
Intergovernmental	-	10,462	-	991
Charges for service	2,233	-	-	9,210
Use of money and property	15	177	-	-
Miscellaneous	-	-	1	686
Total revenues	2,248	10,639	3,015	10,887
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	37,498
Governmental services to residents	2,978	-	-	-
Non-program	-	-	703	-
Capital projects	-	-	-	-
Total expenditures	2,978	-	703	37,498
Excess (Deficiency) of Revenues Over (Under) Expenditures	(730)	10,639	2,312	(26,611)
Other Financing Sources:				
Transfers in	-	-	-	-
Net Change in Fund Balances	(730)	10,639	2,312	(26,611)
Fund Balances Beginning of Year	14,115	64,877	44,583	66,043
Fund Balances End of Year	$ 13,385	$ 75,516	$ 46,895	$ 39,432

Capital Projects	Total
$ -	$ 3,014
-	11,453
-	11,443
-	192
-	687
-	26,789
-	37,498
-	2,978
-	703
25,228	25,228
25,228	66,407
(25,228)	(39,618)
66,673	66,673
41,445	27,055
76,961	266,579
$ 118,406	$ 293,634

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
County Auditor				
Assets:				
Cash and pooled investments:				
Other County officials	$ -	$ 571	$ 571	$ -
Liabilities:				
Due to other funds	$ -	$ 571	$ 571	$ -
County Recorder				
Assets:				
Cash and pooled investments:				
Other County officials	$ 7,264	$ 159,525	$ 158,933	$ 7,856
Accounts receivable	233	-	233	-
Total assets	$ 7,497	$ 159,525	$ 159,166	$ 7,856
Liabilities:				
Due to other funds	$ -	$ 61,635	$ 61,635	$ -
Due to other governments	7,497	97,890	97,531	7,856
Total liabilities	$ 7,497	$ 159,525	$ 159,166	$ 7,856
County Sheriff				
Assets:				
Cash and pooled investments:				
Other County officials	$ 1,701	$ 414,127	$ 415,760	$ 68
Liabilities:				
Due to other funds	$ -	$ 85,694	$ 85,694	$ -
Due to other governments	1,701	2,683	4,316	68
Trusts payable	-	325,750	325,750	-
Total liabilities	$ 1,701	$ 414,127	$ 415,760	$ 68

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Agricultural Extension Education Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 1,915	$ 176,952	$ 176,794	$ 2,073
Property tax receivable:				
Delinquent	823	1,083	823	1,083
Succeeding year	176,900	179,800	176,900	179,800
Total assets	$ 179,638	$ 357,835	$ 354,517	$ 182,956
Liabilities:				
Due to other governments	$ 179,638	$ 357,835	$ 354,517	$ 182,956
County Assessor Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 171,528	$ 274,624	$ 275,136	$ 171,016
Property tax receivable:				
Delinquent	1,245	1,673	1,245	1,673
Succeeding year	273,260	262,359	273,260	262,359
Prepaid expenses	3,883	3,085	3,883	3,085
Total assets	$ 449,916	$ 541,741	$ 553,524	$ 438,133
Liabilities:				
Accounts payable	$ 707	$ 1,054	$ 707	$ 1,054
Salaries and benefits payable	6,897	-	6,897	-
Due to other governments	442,312	540,687	545,920	437,079
Total liabilities	$ 449,916	$ 541,741	$ 553,524	$ 438,133
Schools Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 102,514	$ 9,232,314	$ 9,227,892	$ 106,936
Property tax receivable:				
Delinquent	45,036	56,235	45,036	56,235
Succeeding year	9,215,920	9,335,104	9,215,920	9,335,104
Total assets	$ 9,363,470	$ 18,623,653	$ 18,488,848	$ 9,498,275
Liabilities:				
Due to other governments	$ 9,363,470	$ 18,623,653	$ 18,488,848	$ 9,498,275

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Community Colleges Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 6,271	$ 602,995	$ 602,167	$ 7,099
Property tax receivable:				
Delinquent	2,713	3,726	2,713	3,726
Succeeding year	600,140	574,840	600,140	574,840
Total assets	$ 609,124	$ 1,181,561	$ 1,205,020	$ 585,665
Liabilities:				
Due to other governments	$ 609,124	$ 1,181,561	$ 1,205,020	$ 585,665
Corporations Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 36,987	$ 1,692,159	$ 1,693,522	$ 35,624
Property tax receivable:				
Delinquent	29,833	35,898	29,833	35,898
Succeeding year	1,277,489	1,339,812	1,277,489	1,339,812
Total assets	$ 1,344,309	$ 3,067,869	$ 3,000,844	$ 1,411,334
Liabilities:				
Due to other governments	$ 1,344,309	$ 3,067,869	$ 3,000,844	$ 1,411,334
Townships Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 2,595	$ 251,072	$ 250,987	$ 2,680
Property tax receivable:				
Delinquent	932	1,215	932	1,215
Succeeding year	252,845	268,190	252,845	268,190
Total assets	$ 256,372	$ 520,477	$ 504,764	$ 272,085
Liabilities:				
Due to other governments	$ 256,372	$ 520,477	$ 504,764	$ 272,085

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Auto License and Use Tax Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 214,454	$ 3,009,921	$ 2,995,790	$ 228,585
Liabilities:				
Due to other governments	$ 214,454	$ 3,009,921	$ 2,995,790	$ 228,585
Brucellosis and Tuberculosis Eradication Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 22	$ 1,887	$ 1,887	$ 22
Property tax receivable:				
Delinquent	9	12	9	12
Succeeding year	1,887	1,978	1,887	1,978
Total assets	$ 1,918	$ 3,877	$ 3,783	$ 2,012
Liabilities:				
Due to other governments	$ 1,918	$ 3,877	$ 3,783	$ 2,012
Fire Districts Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 1,232	$ 142,356	$ 142,081	$ 1,507
Property tax receivable:				
Delinquent	456	601	456	601
Succeeding year	140,173	140,209	140,173	140,209
Total assets	$ 141,861	$ 283,166	$ 282,710	$ 142,317
Liabilities:				
Due to other governments	$ 141,861	$ 283,166	$ 282,710	$ 142,317

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
E911 Surcharge Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 140,278	$ 73,144	$ 48,810	$ 164,612
Receivables:				
Accounts	11,246	6,528	11,246	6,528
Accrued interest	59	27	59	27
Due from other governments	6,309	7,019	6,309	7,019
Prepaid expenses	700	-	700	-
Total assets	$ 158,592	$ 86,718	$ 67,124	$ 178,186
Liabilities:				
Accounts payable	$ 3,677	$ 1,439	$ 3,677	$ 1,439
Salaries and benefits payable	107	-	107	-
Due to other governments	154,808	85,279	63,340	176,747
Total liabilities	$ 158,592	$ 86,718	$ 67,124	$ 178,186
Joint Disaster Services Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 5,267	$ 59,890	$ 64,417	$ 740
Prepaid expenses	825	784	825	784
Total assets	$ 6,092	$ 60,674	$ 65,242	$ 1,524
Liabilities:				
Accounts payable	$ 151	$ 494	$ 151	$ 494
Salaries and benefits payable	1,182	-	1,182	-
Due to other governments	4,759	60,180	63,909	1,030
Total liabilities	$ 6,092	$ 60,674	$ 65,242	$ 1,524
City Special Assessments Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 2,389	$ 24,996	$ 24,268	$ 3,117
Special assessments receivable	28,459	30,825	28,459	30,825
Total assets	$ 30,848	$ 55,821	$ 52,727	$ 33,942
Liabilities:				
Due to other governments	$ 30,848	$ 55,821	$ 52,727	$ 33,942

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Drainage Districts				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 187,308	$ 691,514	$ 702,075	$ 176,747
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	1,426	2,030	1,426	2,030
Total assets	$ 413,861	$ 693,544	$ 703,501	$ 403,904
Liabilities:				
Accounts payable	$ 14,578	$ 25,028	$ 14,578	$ 25,028
Due to other governments	399,283	668,516	688,923	378,876
Total liabilities	$ 413,861	$ 693,544	$ 703,501	$ 403,904
Flexible Benefits				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 3,468	$ 4,050	$ 7,518	$ -
Liabilities:				
Accounts payable	$ 2,239	$ -	$ 2,239	$ -
Due to other governments	1,229	4,050	5,279	-
Total liabilities	$ 3,468	$ 4,050	$ 7,518	$ -
County Recorder's Electronic Fee				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 443	$ 2,605	$ 2,884	$ 164
Liabilities:				
Due to other governments	$ 443	$ 2,605	$ 2,884	$ 164
Advance Tax Payments				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 3,144	$ 298	$ 3,442	$ -
Liabilities:				
Due to other governments	$ 3,144	$ 298	$ 3,442	$ -

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Total Combined Funds				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 879,815	$ 16,240,777	$ 16,219,670	$ 900,922
Other County officials	8,965	574,223	575,264	7,924
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	81,047	100,443	81,047	100,443
Succeeding year	11,938,614	12,102,292	11,938,614	12,102,292
Accounts	11,479	6,528	11,479	6,528
Accrued interest	59	27	59	27
Drainage assessments	1,426	2,030	1,426	2,030
Special assessments	28,459	30,825	28,459	30,825
Due from other governments	6,309	7,019	6,309	7,019
Prepaid expenses	5,408	3,869	5,408	3,869
Total assets	$ 13,186,708	$ 29,068,033	$ 28,867,735	$ 13,387,006
Liabilities:				
Accounts payable	$ 21,352	$ 28,015	$ 21,352	$ 28,015
Salaries and benefits payable	8,186	-	8,186	-
Due to other funds	-	147,900	147,900	-
Due to other governments	13,157,170	28,566,368	28,364,547	13,358,991
Trusts payable	-	325,750	325,750	-
Total liabilities	$ 13,186,708	$ 29,068,033	$ 28,867,735	$ 13,387,006

	2012	2011	2010	2009
Revenues:				
Property and other County tax	$ 5,886,042	$ 5,562,829	$ 5,219,053	$ 5,207,976
Interest and penalty on property tax	45,544	54,854	45,754	37,700
Intergovernmental	7,028,577	5,053,863	5,656,433	5,220,827
Licenses and permits	19,869	10,779	17,987	21,962
Charges for service	549,618	626,247	610,413	690,813
Use of money and property	26,255	30,966	39,333	124,419
Miscellaneous	38,738	57,573	186,465	71,626
Total revenues	$ 13,594,643	$ 11,397,111	$ 11,775,438	$ 11,375,323
Expenditures:				
Operating:				
Public safety and legal services	$ 2,454,418	$ 2,254,099	$ 2,139,384	$ 1,908,508
Physical health and social services	525,955	619,104	634,659	567,081
Mental health	1,606,432	1,321,432	1,176,552	1,214,267
County environment and education	2,279,636	2,095,707	656,061	620,407
Roads and transportation	3,011,934	3,415,927	3,199,657	3,919,380
Governmental services to residents	301,982	283,786	281,186	259,047
Administration	858,206	892,421	1,498,709	1,039,659
Non-program	703	19,206	165,644	3,263
Debt service	415,887	355,650	356,298	364,940
Capital projects	2,425,678	592,844	1,760,774	3,333,855
Total expenditures	$ 13,880,831	$ 11,850,176	$ 11,868,924	$ 13,230,407

2008	2007	2006	2005	2004	2003
$ 4,552,144	$ 4,095,113	$ 4,062,904	$ 4,016,081	$ 3,974,544	$ 3,565,777
37,207	44,251	44,075	52,560	53,614	44,767
3,526,956	3,297,773	3,150,350	3,201,525	3,102,126	2,936,091
18,288	13,813	23,267	23,495	13,536	6,306
581,086	550,392	498,654	518,622	543,139	531,469
185,435	250,059	200,662	108,758	94,856	74,963
355,467	174,214	139,439	115,537	126,886	176,335
$ 9,256,583	$ 8,425,615	$ 8,119,351	$ 8,036,578	$ 7,908,701	$ 7,335,708

$ 1,761,007	$ 1,655,571	$ 1,537,041	$ 1,427,129	$ 1,395,700	$ 1,299,527
568,800	524,944	555,735	516,955	500,516	557,905
1,206,049	1,019,139	948,009	972,379	980,403	1,066,924
802,348	769,636	435,290	487,359	412,848	590,961
3,075,632	2,781,601	2,497,345	2,536,698	2,415,685	1,954,414
253,424	269,935	338,758	270,838	242,403	232,307
1,012,531	947,402	822,266	749,756	750,025	893,410
118	204	95	-	-	95
277,914	165,061	175,581	71,998	57,940	54,165
685,925	1,107,875	823,623	797,104	341,914	933,419
$ 9,643,748	$ 9,241,368	$ 8,133,743	$ 7,830,216	$ 7,097,434	$ 7,583,127

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

Louisa County

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

To the Officials of Louisa County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise Louisa County's basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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.

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

This report is intended solely for the information and use of the management, officials, others within the entity, 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.

Eide Bailly LLP

Dubuque, Iowa
December 18, 2012

EideBailly
CPAs & BUSINESS ADVISORS

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 Louisa County:

Compliance

We have audited the compliance of Louisa County, Iowa, with the types of compliance requirements described in the *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. The County's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Louisa County complied, in all material respects, with the compliance 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.

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of the management, officials, others within the entity, 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.

Eide Bailly LLP

Dubuque, Iowa
December 18, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-through program from:			
Iowa Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		$ 2,827
U.S. Department of Commerce:			
Pass-through program from:			
Iowa Department of Economic Development			
Investments for Public Works and Economic Development Facilities	11.300	05-79-05008	284,176
U.S. Department of Housing and Urban Development:			
Pass-through program from:			
Iowa Department of Economic Development			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-224	1,277,094
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-2170	71,637
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-214	45,119
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-249	33,166
Total U.S. Department of Housing and Urban Development			1,427,016
U.S. Department of Justice:			
Direct program:			
Bulletproof Vest Partnership Program	16.607		203
U.S. Department of Transportation:			
Pass-through program from:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	EDP-C058(28)--7Y-58	1,349,413
Highway Planning and Construction	20.205	SBIA-C058(040)--2T-58	390,850
			1,740,263
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	12-03, Task 203	700
Total U.S. Department of Transportation			1,740,963

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through program from:			
Iowa Department of Human Services			
Public Health Emergency Preparedness	93.069	5881BT358	$ 5,285
Public Health Emergency Preparedness	93.069	5882BT58	17,807
			23,092
Iowa Department of Public Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2012-TB03	7,192
Iowa Department of Human Services			
Immunization Cooperative Agreements	93.268	588I449	9,417
Refugee and Entrant Assistance - State Administered Programs	93.566		5
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		614
Iowa Secretary of State			
Voting Access for Individuals with Disabilities - Grants to States	93.617	003-PPAP-2011	4,248
Iowa Department of Human Services			
Foster Care - Title IV-E	93.658		1,041
Adoption Assistance	93.659		299
Social Services Block Grant	93.667	MHDS09-087	51,999
Social Services Block Grant	93.667		917
			52,916
Children's Health Insurance Program	93.767		9
Medical Assistance Program	93.778		2,661
Total U.S. Department of Health and Human Services			101,494
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	106,913
Hazard Mitigation Grant	97.039	HMGP-DR-1763-0058-01	214,911
Total U.S. Department of Homeland Security			321,824
Total			$ 3,878,503

Note 1 - Basis of Presentation

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

Note 2 - Subrecipients

Of the federal expenditures presented in the schedule, Louisa County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 33,166

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

Financial Statements	
Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies	Yes
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee	No

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES

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

Criteria – A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards by internal personnel of the entity.

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

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

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

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

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

Response – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. At this time, the County does not have the resources to hire additional staff to draft the financial reports internally.

II-B-12 **Material Audit Adjustment**

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

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

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

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

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

Response – The County acknowledges that our auditors were required to propose a material adjustment to the County's financial statements in the area of accounts payable. The County will continue to work to strengthen accounting functions.

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

SIGNIFICANT DEFICIENCIES

II-C-12 **Sheriff's Office Segregation of Duties**

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

Condition – The Sheriff's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

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

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

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

Response – The Sheriff's Office will review the operating procedures, but due to personnel limitations additional procedures to increase internal control are not expected.

II-D-12 **Treasurer's Office Segregation of Duties**

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

Condition – The Treasurer's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

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

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

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

Response – The Treasurer's Office continues to review operating procedures on a regular basis and does everything in its power to maximize internal control. The Treasurer's Office does the best they can with the number of employees available.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012, did not exceed the amount budgeted.

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

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Joellen Yotter, employee, spouse is owner of Grandview Service	Services	$ 3,457
Staci Griffin, employee	Services	1,943
Staci Griffin, employee, spouse is Jason Griffin	Services	958
Staci Griffin, employee, owner of Stitches & Cream	Services	635
Sylvia Belzer, employee, spouse is Terry Belzer	Services	20

In accordance with Chapter 331.342 (10) of the Code of Iowa, the transactions with Jason Griffin, Stitches & Cream, and Terry Belzer do not appear to represent conflicts of interest since total transactions with each individual were less than $1,500 during the fiscal year. The transactions with Grandview Service and Staci Griffin may represent a conflict of interest.

Recommendation – We recommend the County review the transactions with Grandview Service and Staci Griffin with the County Attorney.

Response – The County will review Grandview Service and Staci Griffin with the County Attorney. The County Engineer's Assistant, Joellen Yotter, has told the Roads Superintendent not to do business with Grandview Services prior to questioning her on required statutory reporting of related transactions in regard to the findings of this audit. The other finding regarding Staci Griffin will be monitored more closely by the Auditor's office, due to various offices/departments using her services, and will notify departments when she has neared the $1,500 amount. The Auditor will also advise Staci Griffin to monitor the issue.

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

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

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

III-G-12 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

III-I-12 **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.

December 18, 2012

To the Officials of Louisa County, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 11, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Louisa County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the County's financial statements was:

> Management's estimate of the other post employment benefits is based on calculation of actuarially determined contributions for health insurance benefits We evaluated the key factors and assumptions used to develop the other post employment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement, detected as a result of audit procedures, was corrected by management:

Secondary Roads Fund		
Adjustment to record additional accounts payable	$	66,516

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Supervisors and management of Louisa County and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

Eide Bailly LLP