

**MARSHALL COUNTY**

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

**June 30, 2012**

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditors' Report		2-3
Management's Discussion and Analysis		4-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	11
Statement of Activities	B	12-13
Governmental Fund Financial Statements:		
Balance Sheet	C	14-15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	23
Notes to Financial Statements		24-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		41-42
Budget to GAAP Reconciliation		43
Notes to Required Supplementary Information – Budgetary Reporting		44
Schedule of Funding Progress for the Retiree Health Plan		45
Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49

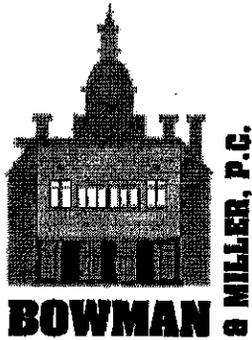
Table of Contents (continued)

	<u>Schedule</u>	<u>Page</u>
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	50-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	58-59
Schedule of Expenditures of Federal Awards	6	60-61
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		62-63
Independent Auditors' 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		64-65
Schedule of Findings and Questioned Costs		66-70
Audit Staff		71

# Marshall County

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Grabenbauer	Board of Supervisors	January 2013
Deane Adams	Board of Supervisors	January 2015
Dave Thompson	Board of Supervisors	January 2015
Dawn Williams	County Auditor/Recorder	January 2013
Jarret Heil	County Treasurer	January 2015
Theoharris Kamatchus	County Sheriff	January 2013
Jennifer Miller	County Attorney	January 2015
Craig Madill	County Assessor	January 2013



**C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S**

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366

James R. Bowman, CPA • jim@bowmanandmillerpc.com  
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' Report

To the Officials of Marshall County:

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

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

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

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

U. S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 41 through 45 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in

accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bowman and Miller, P.C.*

December 19, 2012

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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

### 2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 2.1%, or approximately \$562,000, from fiscal year 2011 to fiscal year 2012. Property and local option sales tax increased approximately \$138,000. Charges for services decreased approximately \$998,000. Operating grants and contributions increased approximately \$1.5 million with capital grants, contributions and restricted interest adding another \$279,000. Unrestricted investment earnings decreased approximately \$39,000.
- Program expenses of the County's governmental activities increased 1.4%, or approximately \$326,000 from fiscal year 2011 to fiscal year 2012. Mental health had the largest increase of approximately \$416,000. Roads and transportation followed with an increase of approximately \$194,000, county environment and education had an increase of approximately \$59,000, interest on long-term debt increased approximately \$57,000, and public safety and legal services increased \$21,000. Decreases in program expenses occurred in administration of approximately \$262,000, governmental services to residents of \$132,000, and physical health and social services of \$45,000.
- The County's combined net assets increased 7.1% this year, or approximately \$3.7 million, from June 30, 2011 to June 30, 2012.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Marshall 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 Marshall County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the non-major special revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. 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) Proprietary funds account for the County's Internal Service, Employee Group Health and Dental Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

The required financial 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

As noted earlier, net assets may serve over time as a useful indicator of financial position. Marshall County's combined net assets increased 7.1%, or approximately \$3.7 million, from fiscal year 2011 to fiscal year 2012. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 26,283	26,228
Capital assets	46,659	43,601
Total assets	<u>72,942</u>	<u>69,829</u>
Long-term debt outstanding	3,048	3,363
Other liabilities	14,046	14,310
Total liabilities	<u>17,094</u>	<u>17,673</u>
Net assets:		
Invested in capital assets, net of related debt	44,361	40,881
Restricted	8,516	8,165
Unrestricted	<u>2,971</u>	<u>3,110</u>
Total net assets	<u>\$ 55,848</u>	<u>52,156</u>

The largest portion of the County's net assets is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$139,000. This is a decrease of 4.5% from last year.

Restricted net assets increased from approximately \$8.2 million on June 30, 2011 to approximately \$8.5 million on June 30, 2012, an increase of 4.3%. This increase was primarily a result of additional funds for supplemental levy purposes and an increase in mental health services fund balance.

Changes in Net Assets of Governmental Activities		
	Year Ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 1,925,876	2,923,856
Operating grants, contributions and restricted interest	7,543,113	6,000,703
Capital grants, contributions and restricted interest	3,690,892	3,411,560
General revenues:		
Property tax	12,479,735	12,065,442
Penalty and interest on property tax	112,383	140,659
State tax credits	425,723	445,297
Local option sales tax	925,628	1,201,856
Unrestricted investment earnings	93,155	132,272
Other general revenues	194,639	507,405
Total revenues	<u>27,391,144</u>	<u>26,829,050</u>
Program expenses:		
Public safety and legal services	6,872,699	6,851,226
Physical health and social services	872,618	917,503
Mental health	4,358,666	3,942,233
County environment and education	1,091,505	1,032,703
Roads and transportation	7,149,048	6,955,298
Governmental services to residents	711,887	843,667
Administration	2,413,548	2,675,879
Non-program	70,240	52,977
Interest on long-term debt	158,915	101,753
Total expenses	<u>23,699,126</u>	<u>23,373,239</u>
Increase in net assets	3,692,018	3,455,811
Net assets beginning of year	<u>52,155,904</u>	<u>48,700,093</u>
Net assets end of year	<u>\$ 55,847,922</u>	<u>52,155,904</u>

Marshall County's net assets of governmental activities increased approximately \$3.7 million during the year. Revenues for governmental activities increased approximately \$562,000 over the prior year, with operating grants and contributions increasing approximately \$1.5 million and capital grants, contributions and restricted interest increasing approximately \$279,000. Decreases included \$998,000 in charges for services.

The cost of all governmental activities this year was \$23.7 million compared to \$23.4 million last year. As shown in the Statement of Activities on pages 12-13, the amount county taxpayers ultimately financed for these activities was approximately \$10.5 million because some of the cost was paid by those who directly benefited from the programs (\$1.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.2 million). The County paid for the "public benefit" portion of governmental activities with approximately \$12.5 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

## INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of approximately \$11.2 million, which is just over \$341,000 more than the 2011 fund balance. The increase in fund balance is primarily attributable to increases in the mental health services and the general funds offset by a decrease in the capital projects fund:

- The General Fund ending fund balance increased approximately \$241,000 from the prior year. Revenues increased \$214,000 with property taxes increasing \$360,000 offset by decreases of \$144,000 in use of money and property and miscellaneous revenue. Expenditures also increased by approximately \$650,000. Capital projects increased by approximately \$402,000, public safety and legal services by \$350,000 and county environment and education increased \$53,000 while expenditures in physical health and social services and governmental services to residents decreased around \$170,000. The ratio of ending fund balance to expenses at year end was 43.7%
- The Mental Health Fund balance at year end increased by approximately \$636,000 from the prior year due to an increase in the community services fund allocation and relatively flat expenses. The ratio of ending fund balance to expenses at the end of 2012 was 27.4%. The maximum rate was levied in both 2012 and 2013.
- The Rural Services Fund balance at year end decreased by approximately \$100,000 from the prior year largely due to decreases of \$348,000 in permit revenues related to the wind farm project and \$276,000 in local option sales tax receipts. Expenditures increased slightly at \$63,000.
- In the Secondary Roads Fund, revenues increased \$115,000. Expenditures increased \$109,000 and other financing sources such as operating transfers from the rural services fund and the sale of capital assets increased approximately \$82,000. Maximum transfers from the rural services fund were realized again this year. The ending fund balance increased slightly to approximately \$2,035,000 keeping with the trend begun in 2011 of growing the balance.
- The fund balance of the Debt Service Fund remained flat with property taxes increasing \$15,000. Expenditures decreased after the 2011 pay off and re-issuance of the 2005 jail bonds.
- The Capital Projects Fund balance decreased by just over \$577,000. Expenses for the east side courthouse HVAC project accounted for the majority of this decrease. Revenues included proceeds in the amount of \$18,000 from an insurance payment to Mid-Iowa Antique Power Association for the sole purpose of future improvements to be made on a building available for use by the same association.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget three times. The amendments were made in October, 2011 and February and May, 2012. They resulted in an increase in budgeted revenues of \$3.1 million and budgeted disbursements of \$1.7 million. Of those totals, \$1.4 million was budgeted to receive mental health growth allocation funds from the State and over \$878,000 for increased grant proceeds. The increase in budgeted disbursements was largely due to increased mental health costs, costs related to the July 11, 2011 wind storm and completion of the courthouse HVAC project and the Linn Creek Trail connection.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Marshall County had approximately \$81.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$5.3 million, or 6.9%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land and construction in progress	\$ 2,427	4,028
Buildings and improvements	22,955	21,116
Equipment and vehicles	8,897	7,968
Infrastructure	47,080	42,995
<b>Total</b>	<b>\$ 81,359</b>	<b>76,107</b>

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

Secondary road equipment	\$ 507
Sheriff's radios	200
Bike trail extension	778
Sheriff's patrol cars	99
Courthouse HVAC system	640
Capital assets contributed by the Iowa Department of Transportation	2,867
<b>Total</b>	<b>\$ 5,091</b>

The County had depreciation expense of \$2,303,793 in fiscal year 2012 and total accumulated depreciation of \$34,700,098 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 10 to the financial statements.

### Long-Term Debt

At June 30, 2012, Marshall County had \$2,298,451 in general obligation bonds and other debt outstanding compared to \$2,721,042 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2012	2011
General obligation bonds	\$ 2,210,000	2,645,000
Capital lease purchase agreements	88,451	76,042
<b>Total</b>	<b>\$ 2,298,451</b>	<b>2,721,042</b>

The County entered into capital lease purchase agreements to lease equipment for the sheriff's office with an historical cost of \$99,517. During the year ended June 30, 2012, the County retired \$435,000 of bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$122 million.

There is no bond rating requested for the County at this time. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

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

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County was 6.5% versus 6.8% in June of 2011 and 7.3% in June of 2010. This compares with the State's June, 2012 unemployment rate of 5.1% and the national rate of 9.1%. The increase in Midwest CPI-U from June, 2011 to June, 2012 was 1.8% compared with a national rate of 1.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Proposed spending for fiscal year 2013 decreased 7.3% from the re-estimated 2012 budget. Fiscal year 2012 included salary and benefits for a 27<sup>th</sup> pay period for the bi-weekly employees, and fiscal year 2013 is a year with the normal 26 pay periods per fiscal year. Fiscal year 2013 also reflects a \$1.2 million decrease for capital projects. Property tax dollars to be generated in 2013 will remain flat from property taxes levied in 2012. Total revenue from all sources, which includes property taxes, is expected to decrease by 13.3%, or \$3.8 million. Decreases in grant and other intergovernmental revenue are included in this decrease.

If these estimates are realized, the County's total operating fund balance is expected to decrease approximately \$1.4 million or to a ratio of 36% of budgeted expenditures.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall 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 Marshall County Auditor's Office, 1 East Main Street, Marshalltown, Iowa 50158.

Marshall County  
Statement of Net Assets  
June 30, 2012

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 12,238,847
Receivables:	
Property tax:	
Delinquent	4,502
Succeeding year	12,564,598
Interest and penalty on property tax	2,973
Accounts	30,182
Accrued interest	5,523
Due from other governments	607,846
Inventories	758,989
Prepaid expenses	70,062
Capital assets (net of accumulated depreciation)	46,658,955
<b>Total assets</b>	<b>72,942,477</b>
<b>Liabilities</b>	
Accounts payable	649,443
Accrued interest payable	9,274
Salaries and benefits payable	130,516
Due to other governments	692,524
Deferred revenue:	
Succeeding year property tax	12,564,598
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	55,312
General obligation bonds	440,000
Compensated absences	509,915
Portion due or payable after one year:	
Capital lease purchase agreements	33,139
General obligation bonds	1,770,000
Net OPEB liability	239,834
<b>Total liabilities</b>	<b>17,094,555</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	44,360,504
Restricted for:	
Supplemental levy purposes	2,256,558
Mental health purposes	1,197,320
Rural services purposes	2,205,530
Secondary roads purposes	2,164,880
Debt service	45,651
Capital projects	100,067
Other purposes	546,436
Unrestricted	2,970,976
<b>Total net assets</b>	<b>\$ 55,847,922</b>

Marshall County  
Statement of Activities  
Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 6,872,699	1,135,680	318,629	-
Physical health and social services	872,618	32,228	329,569	-
Mental health	4,358,666	13,936	2,878,047	-
County environment and education	1,091,505	54,795	31,222	782,398
Roads and transportation	7,149,048	98,299	3,970,350	2,886,558
Governmental services to residents	711,887	564,981	24	-
Administration	2,413,548	23,703	15,272	21,936
Non-program	70,240	2,254	-	-
Interest on long-term debt	158,915	-	-	-
<b>Total</b>	<b>\$ 23,699,126</b>	<b>1,925,876</b>	<b>7,543,113</b>	<b>3,690,892</b>

**General Revenues:**

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

<u>Net (Expense)</u> <u>Revenue</u> <u>and Changes</u> <u>in Net Assets</u>
(5,418,390)
(510,821)
(1,466,683)
(223,090)
(193,841)
(146,882)
(2,352,637)
(67,986)
(158,915)
<u>(10,539,245)</u>
11,553,331
349,796
576,608
112,383
425,723
925,628
93,155
2,500
192,139
<u>14,231,263</u>
3,692,018
<u>52,155,904</u>
<u>\$ 55,847,922</u>

Marshall County  
Balance Sheet  
Governmental Funds  
June 30, 2012

Assets	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 5,213,146	1,864,533	2,070,514	1,173,743
Receivables:				
Property tax:				
Delinquent	3,183	812	283	-
Succeeding year	8,251,838	2,115,400	1,604,916	-
Interest and penalty on property tax	2,973	-	-	-
Accounts	75	-	250	-
Accrued interest	5,523	-	-	-
Due from other governments	176,356	17,588	192,492	218,405
Inventories	-	-	-	758,989
Prepaid expenses	63,492	-	-	6,570
<b>Total assets</b>	<b>\$ 13,716,586</b>	<b>3,998,333</b>	<b>3,868,455</b>	<b>2,157,707</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 187,515	104,431	47,398	87,848
Salaries and benefits payable	77,589	7,835	10,463	34,629
Due to other governments	116,973	575,280	-	271
Deferred revenue:				
Succeeding year property tax	8,251,838	2,115,400	1,604,916	-
Other	1,462	273	148	-
<b>Total liabilities</b>	<b>8,635,377</b>	<b>2,803,219</b>	<b>1,662,925</b>	<b>122,748</b>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	758,989
Prepaid expenses	63,492	-	-	6,570
Restricted for:				
Supplemental levy purposes	2,193,066	-	-	-
Mental health purposes	-	1,195,114	-	-
Rural services purposes	-	-	2,205,530	-
Secondary roads purposes	-	-	-	1,269,400
Conservation land acquisition	227,601	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for conservation purposes	482,359	-	-	-
Assigned for sheriff	231,162	-	-	-
Unassigned	1,883,529	-	-	-
<b>Total fund balances</b>	<b>5,081,209</b>	<b>1,195,114</b>	<b>2,205,530</b>	<b>2,034,959</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,716,586</b>	<b>3,998,333</b>	<b>3,868,455</b>	<b>2,157,707</b>

Exhibit C

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
51,237	105,326	545,123	11,023,622
224	-	-	4,502
592,444	-	-	12,564,598
-	-	-	2,973
-	-	-	325
-	-	-	5,523
-	-	3,005	607,846
-	-	-	758,989
-	-	-	70,062
643,905	105,326	548,128	25,038,440
-	5,259	1,692	434,143
-	-	-	130,516
-	-	-	692,524
592,444	-	-	12,564,598
78	-	-	1,961
592,522	5,259	1,692	13,823,742
-	-	-	758,989
-	-	-	70,062
-	-	-	2,193,066
-	-	-	1,195,114
-	-	-	2,205,530
-	-	-	1,269,400
-	-	-	227,601
51,383	-	-	51,383
-	100,067	-	100,067
-	-	546,436	546,436
-	-	-	482,359
-	-	-	231,162
-	-	-	1,883,529
51,383	100,067	546,436	11,214,698
643,905	105,326	548,128	25,038,440

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

Exhibit D

**Total governmental fund balances (page 15)** \$ 11,214,698

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$81,359,053 and the accumulated depreciation is \$34,700,098. 46,658,955

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 1,961

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 1,029,782

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,057,474)

**Net assets of governmental activities (page 11)** \$ 55,847,922

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 7,976,143	2,034,613	1,547,932	-
Local option sales tax	-	-	925,628	-
Interest and penalty on property tax	114,693	-	-	-
Intergovernmental	2,529,130	2,948,251	138,018	3,969,486
Licenses and permits	100	-	68,175	14,985
Charges for service	736,467	13,936	530	17,749
Use of money and property	229,042	-	-	864
Miscellaneous	174,264	-	60	65,565
<b>Total revenues</b>	<b>11,759,839</b>	<b>4,996,800</b>	<b>2,680,343</b>	<b>4,068,649</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	6,331,327	-	573,568	-
Physical health and social services	839,567	-	32,401	-
Mental health	-	4,360,668	-	-
County environment and education	493,197	-	235,411	-
Roads and transportation	-	-	102,122	5,802,356
Governmental services to residents	691,901	-	-	-
Administration	2,476,554	-	-	-
Debt service	-	-	-	-
Capital projects	798,568	-	-	-
<b>Total expenditures</b>	<b>11,631,114</b>	<b>4,360,668</b>	<b>943,502</b>	<b>5,802,356</b>
Excess (deficiency) of revenues over (under) expenditures	128,725	636,132	1,736,841	(1,733,707)
<b>Other financing sources (uses):</b>				
Sale of capital assets	2,500	-	-	-
Operating transfers in	10,808	-	-	1,826,513
Operating transfers out	(455)	-	(1,837,321)	-
Capital lease purchase agreement	99,517	-	-	-
<b>Total other financing sources (uses)</b>	<b>112,370</b>	<b>-</b>	<b>(1,837,321)</b>	<b>1,826,513</b>
Net change in fund balances	241,095	636,132	(100,480)	92,806
Fund balances beginning of year	4,840,114	558,982	2,306,010	1,942,153
Fund balances end of year	<b>\$ 5,081,209</b>	<b>1,195,114</b>	<b>2,205,530</b>	<b>2,034,959</b>

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
576,953	-	349,796	12,485,437
-	-	-	925,628
-	-	-	114,693
19,196	-	19,462	9,623,543
-	-	-	83,260
-	-	6,707	775,389
-	1,920	208	232,034
-	18,000	29,891	287,780
596,149	19,920	406,064	24,527,764
-	-	15,400	6,920,295
-	-	-	871,968
-	-	-	4,360,668
-	-	304,504	1,033,112
-	-	-	5,904,478
-	-	3,527	695,428
-	-	-	2,476,554
594,129	-	-	594,129
-	597,062	36,200	1,431,830
594,129	597,062	359,631	24,288,462
2,020	(577,142)	46,433	239,302
-	-	-	2,500
-	-	68,641	1,905,962
-	-	(68,186)	(1,905,962)
-	-	-	99,517
-	-	455	102,017
2,020	(577,142)	46,888	341,319
49,363	677,209	499,548	10,873,379
51,383	100,067	546,436	11,214,698

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

Net change in fund balances - Total governmental funds (page 18) \$ 341,319

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

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

Expenditures for capital assets	\$ 2,494,550	
Capital assets contributed by the Iowa Department of Transportation	2,866,638	
Depreciation expense	<u>(2,303,793)</u>	3,057,395

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	(8,012)
--------------	---------

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

Issued	(99,517)	
Repaid	<u>522,108</u>	422,591

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

Compensated absences	(37,513)	
Other postemployment benefits	(70,240)	
Interest on long-term debt	<u>214</u>	(107,539)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plans to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(13,736)

Change in net assets of governmental activities (page 13) \$ 3,692,018

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

	Internal Service- Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 1,215,225
Accounts receivable	29,857
<b>Total assets</b>	1,245,082
 <b>Liabilities</b>	
Accounts payable	215,300
 <b>Net Assets</b>	
Unrestricted	\$ 1,029,782

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

		Internal Service- Employee Group Health
Operating revenues:		
Reimbursements from operating funds	\$ 1,597,459	
Reimbursements from employees and others	166,843	
Insurance reimbursements	391,485	
Total operating revenues		2,155,787
Operating expenses:		
Medical claims	\$ 1,877,757	
Insurance premiums	275,888	
Administrative fees	18,132	
Operating loss		(15,990)
Non-operating revenues:		
Interest income		2,254
Net loss		(13,736)
Net assets beginning of year		1,043,518
Net assets end of year		\$ 1,029,782

Marshall County  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2012

	Internal Service- Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,650,916
Cash received from employees and others	581,062
Cash paid to suppliers for services	(2,139,477)
Net cash provided by operating activities	92,501
Cash flows from investing activities:	
Interest on investments	2,254
Net increase in cash and cash equivalents	94,755
Cash and cash equivalents beginning of year	1,120,470
Cash and cash equivalents end of year	\$ 1,215,225
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (15,990)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	76,191
Increase in accounts payable	32,300
Net cash provided by operating activities	\$ 92,501

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

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 5,218,796
Other County officials	62,633

## Receivables:

## Property tax:

Delinquent	16,636
Succeeding year	39,388,168

## Accounts

61,219

## Accrued interest

8,129

## Assessments

211,822

**Total assets**


---

44,967,403
**Liabilities**

## Accounts payable

65,725

## Due to other governments

44,747,839

## Trusts payable

106,840

## Compensated absences

46,999

**Total liabilities**


---

44,967,403
**Net assets**


---

\$ -

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Marshall 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 Marshall 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 they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four 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 Marshall 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 Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

A. Reporting Entity (continued)

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

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center and Mid-Iowa Drug Task Force.

B. Basis of Presentation

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

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

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

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

B. Basis of Presentation (continued)

*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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

**B. Basis of Presentation (continued)**

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

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

Additionally, the County reports the following funds:

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 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 year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(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 ensure 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.

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.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General Basic	Special Revenue: Rural Services	\$ 10,808
Special Revenue: County Recorder's Records Management	General Basic	455
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,826,513
Special Revenue: Moderate Income Housing	Special Revenue: Urban Renewal Revenue	<u>68,186</u>
		<u>\$ 1,905,962</u>

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

**(4) Long-Term Liabilities**

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

	General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 2,645,000	76,042	472,402	169,594	3,363,038
Increases	-	99,517	39,988	70,240	209,745
Decreases	435,000	87,108	2,475	-	524,583
Balance end of year	<u>\$ 2,210,000</u>	<u>88,451</u>	<u>509,915</u>	<u>239,834</u>	<u>3,048,200</u>
Due with one year	<u>\$ 440,000</u>	<u>55,312</u>	<u>509,915</u>	<u>-</u>	<u>1,005,227</u>

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(4) Long-Term Liabilities (continued)**

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease vehicles for the sheriff's office with historical costs of \$258,977. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.64% to 6.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

Year ending June 30,	Sheriff's Vehicles
2013	\$ 60,386
2014	35,008
Total minimum lease payments	95,394
Less amount representing interest	6,943
Present value of net minimum lease payments	<u>\$ 88,451</u>

Payments under capital lease purchase agreements totaled \$91,671 for the year ended June 30, 2012.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,830,000 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

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	2.00-3.00 %	\$ 440,000	50,400	490,400
2014	2.00-3.00	460,000	39,750	499,750
2015	2.00	460,000	28,650	488,650
2016	2.00	275,000	19,450	294,450
2017	2.30	285,000	13,950	298,950
2018	2.55	290,000	7,395	297,395
Total		<u>\$ 2,210,000</u>	<u>159,595</u>	<u>2,369,595</u>

During the year ended June 30, 2012, the County retired \$435,000 of bonds.

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(5) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plans are funded by both employee and County contributions and are administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2012 was \$1,597,459.

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2012 total \$215,300, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,029,782 at June 30, 2012 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	183,000
Incurred claims (including claims incurred but not reported at June 30, 2012)		1,877,757
Payments on claims during the fiscal year		<u>1,845,457</u>
Unpaid claims end of year	\$	<u>215,300</u>

**(6) Pension and Retirement Benefits**

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

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(6) Pension and Retirement Benefits (continued)**

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$646,050, \$567,532 and \$523,502, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 155 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 102,353
Interest on net OPEB obligation	6,784
Adjustment to annual required contribution	<u>(9,808)</u>
Annual OPEB cost	99,329
Contributions made	<u>(29,089)</u>
Increase in net OPEB obligation	70,240
Net OPEB obligation beginning of year	<u>169,594</u>
Net OPEB obligation end of year	<u><u>\$ 239,834</u></u>

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(7) Other Postemployment Benefits (OPEB) (continued)**

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

For the year ended June 30, 2012, plan members eligible for benefits contributed \$29,089, 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 as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 66,660	13.0%	\$ 57,966
2010	67,285	12.8	116,617
2011	61,611	14.0	169,594
2012	99,329	29.3	239,834

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$811,537, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$811,537. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,086,601 and the ratio of the UAAL to covered payroll was 11.5%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 prospective of the calculations.

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(7) Other Postemployment Benefits (OPEB) (continued)**

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial 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 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$603.74 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) 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	\$ 116,973
Special Revenue:		
Secondary Roads	Services	271
Mental Health	Services	575,280
		<u>575,551</u>
Total for governmental funds		<u>\$ 692,524</u>
Agency:		
County Assessor	Collections	\$ 600,554
Schools		23,834,980
Community Colleges		2,860,507
Corporations		12,219,211
Auto License and Use Tax		775,292
Solid Waste Irrevocable Trust		3,351,842
All other		1,105,453
Total for agency funds		<u>\$ 44,747,839</u>

Marshall County  
Notes to Financial Statements  
June 30, 2012

(9) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,427,001	-	-	2,427,001
Construction in progress	1,601,499	-	1,601,499	-
Total capital assets not being depreciated	<u>4,028,500</u>	<u>-</u>	<u>1,601,499</u>	<u>2,427,001</u>
Capital assets being depreciated:				
Buildings	21,116,286	1,838,584	-	22,954,870
Equipment and vehicles	7,967,553	1,056,372	127,282	8,896,643
Infrastructure, road network	42,995,002	4,085,537	-	47,080,539
Total capital assets being depreciated	<u>72,078,841</u>	<u>6,980,493</u>	<u>127,282</u>	<u>78,932,052</u>
Less accumulated depreciation for:				
Buildings	9,464,764	426,616	-	9,891,380
Equipment and vehicles	4,264,925	444,597	109,476	4,600,046
Infrastructure, road network	18,776,092	1,432,580	-	20,208,672
Total accumulated depreciation	<u>32,505,781</u>	<u>2,303,793</u>	<u>109,476</u>	<u>34,700,098</u>
Total capital assets being depreciated, net	<u>39,573,060</u>	<u>4,676,700</u>	<u>17,806</u>	<u>44,231,954</u>
Governmental activities capital assets, net	<u>\$ 43,601,560</u>	<u>4,676,700</u>	<u>1,619,305</u>	<u>46,658,955</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 286,669
County environment and education	98,152
Roads and transportation	1,740,790
Governmental services to residents	17,878
Administration	<u>160,304</u>
Total depreciation expense - governmental activities	<u>\$ 2,303,793</u>

Marshall County  
Notes to Financial Statements  
June 30, 2012

**(10) Operating Leases**

The County has entered into several other leases for operating space used by various county departments and leases for office copy machines. The leases expire at various times through June 30, 2014. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30,	Annual Rent Due
2013	\$ 85,172
2014	<u>4,885</u>
Total	<u>\$ 90,057</u>

The total annual lease costs for the year ended June 30, 2012 were \$113,973.

**(11) Risk Management**

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Date of Management Evaluation**

Management has evaluated subsequent events through December 19, 2012, the date on which the financial statements were available to be issued.

**Required Supplementary Information**

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

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 13,734,007	-
Interest and penalty on property tax	112,469	-
Intergovernmental	10,172,771	-
Licenses and permits	443,283	-
Charges for service	770,228	-
Use of money and property	238,594	-
Miscellaneous	234,078	-
Total receipts	<u>25,705,430</u>	-
Disbursements:		
Public safety and legal services	7,054,739	-
Physical health and social services	930,548	-
Mental health	4,443,055	-
County environment and education	996,987	-
Roads and transportation	6,219,370	-
Governmental services to residents	717,913	-
Administration	2,441,394	-
Debt service	594,129	-
Capital projects	1,420,571	-
Total disbursements	<u>24,818,706</u>	-
Excess (deficiency) of receipts over (under) disbursements	886,724	-
Other financing sources, net	2,500	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	889,224	-
Balance beginning of year	<u>10,134,398</u>	8,072
Balance end of year	<u>\$ 11,023,622</u>	<u>8,072</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
13,734,007	13,471,485	13,686,735	47,272
112,469	12,000	12,000	100,469
10,172,771	7,986,206	10,476,070	(303,299)
443,283	41,750	416,750	26,533
770,228	711,575	726,045	44,183
238,594	298,205	234,939	3,655
234,078	103,940	182,013	52,065
<u>25,705,430</u>	<u>22,625,161</u>	<u>25,734,552</u>	<u>(29,122)</u>
7,054,739	7,191,950	7,345,250	290,511
930,548	953,556	1,014,094	83,546
4,443,055	4,022,465	4,532,465	89,410
996,987	1,078,720	1,288,511	291,524
6,219,370	6,012,700	6,263,000	43,630
717,913	985,376	958,376	240,463
2,441,394	2,467,726	2,530,453	89,059
594,129	595,050	595,050	921
1,420,571	1,262,075	1,710,348	289,777
<u>24,818,706</u>	<u>24,569,618</u>	<u>26,237,547</u>	<u>1,418,841</u>
886,724	(1,944,457)	(502,995)	1,389,719
2,500	10,000	10,000	(7,500)
889,224	(1,934,457)	(492,995)	1,382,219
10,126,326	8,242,484	9,994,402	131,924
<u>11,015,550</u>	<u>6,308,027</u>	<u>9,501,407</u>	<u>1,514,143</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 25,705,430	(1,177,666)	24,527,764
Expenditures	24,818,706	(530,244)	24,288,462
Net	886,724	(647,422)	239,302
Other financing sources, net	2,500	99,517	102,017
Beginning fund balances	10,134,398	738,981	10,873,379
Ending fund balances	\$ 11,023,622	191,076	11,214,698

Marshall County  
Notes to Required Supplementary Information-  
Budgetary Reporting  
June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,667,929. 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.

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

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)
2009	July 1, 2008	-	\$ 764,414	\$ 764,414	0.0%	\$ 6,706,729	11.6%
2010	July 1, 2008	-	764,414	764,414	0.0	7,006,508	10.9
2011	July 1, 2008	-	764,414	764,414	0.0	7,081,075	10.8
2012	July 1, 2011	-	811,537	811,537	0.0	7,086,601	11.5

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**Supplementary Information**

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

	Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
<b>Assets</b>				
Cash and pooled investments	\$ 54,314	2,180	12,574	6,678
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 54,314</b>	<b>2,180</b>	<b>12,574</b>	<b>6,678</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Fund balances:				
Restricted for:				
Other purposes	54,314	2,180	12,574	6,678
<b>Total liabilities and fund balances</b>	<b>\$ 54,314</b>	<b>2,180</b>	<b>12,574</b>	<b>6,678</b>

Attorney's Collections	Drainage Certificates	Moderate Income Housing	Total
38,347	8,072	422,958	545,123
3,005	-	-	3,005
41,352	8,072	422,958	548,128
1,692	-	-	1,692
39,660	8,072	422,958	546,436
41,352	8,072	422,958	548,128

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

	Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
<b>Revenues:</b>				
Property and other county tax	\$ -	-	-	-
Intergovernmental	17,365	-	-	-
Charges for service	-	-	6,707	-
Use of money and property	149	1	24	4
Miscellaneous	-	-	-	2,112
Total revenues	17,514	1	6,731	2,116
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	-	-	-	2,456
County environment and education	-	-	-	-
Government services to residents	-	-	3,527	-
Capital projects	36,200	-	-	-
Total expenditures	36,200	-	3,527	2,456
Excess (deficiency) of revenues over (under) expenditures	(18,686)	1	3,204	(340)
<b>Other financing sources (uses):</b>				
<b>Operating transfers in (out):</b>				
Operating transfers in	-	-	455	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	455	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(18,686)	1	3,659	(340)
Fund balances beginning of year	73,000	2,179	8,915	7,018
Fund balances end of year	\$ 54,314	2,180	12,574	6,678

Attorney's Collections	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Total
-	-	349,796	-	349,796
-	-	2,097	-	19,462
-	-	-	-	6,707
30	-	-	-	208
27,779	-	-	-	29,891
27,809	-	351,893	-	406,064
12,944	-	-	-	15,400
-	-	283,707	20,797	304,504
-	-	-	-	3,527
-	-	-	-	36,200
12,944	-	283,707	20,797	359,631
14,865	-	68,186	(20,797)	46,433
-	-	-	68,186	68,641
-	-	(68,186)	-	(68,186)
-	-	(68,186)	68,186	455
14,865	-	-	47,389	46,888
24,795	8,072	-	375,569	499,548
39,660	8,072	-	422,958	546,436

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

	County Offices		Agricultural		
	County Recorder	County Sheriff	Extension Education	County Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	-	2,229	256,246	293,289
Other County officials	19,643	42,990	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	68	135	9,307
Succeeding year	-	-	182,000	390,000	23,532,384
Accounts	109	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 19,752</b>	<b>42,990</b>	<b>184,297</b>	<b>646,381</b>	<b>23,834,980</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	19,752	-	184,297	600,554	23,834,980
Trusts payable	-	42,990	-	-	-
Compensated absences	-	-	-	45,827	-
<b>Total liabilities</b>	<b>\$ 19,752</b>	<b>42,990</b>	<b>184,297</b>	<b>646,381</b>	<b>23,834,980</b>

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
35,431	172,743	4,817	57	10,592	775,292
-	-	-	-	-	-
1,077	5,900	147	2	-	-
2,823,999	12,040,568	414,623	4,594	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	211,822	-
<u>2,860,507</u>	<u>12,219,211</u>	<u>419,587</u>	<u>4,653</u>	<u>222,414</u>	<u>775,292</u>
-	-	-	-	-	-
2,860,507	12,219,211	419,587	4,653	222,414	775,292
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,860,507</u>	<u>12,219,211</u>	<u>419,587</u>	<u>4,653</u>	<u>222,414</u>	<u>775,292</u>

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

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	School Ready Children	E911
<b>Assets</b>					
Cash and pooled investments					
County Treasurer	\$ 109,455	120,179	3,343,713	16,749	5,304
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	25,357	-	-	-	35,153
Accrued interest	-	-	8,129	-	-
Assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 134,812</b>	<b>120,179</b>	<b>3,351,842</b>	<b>16,749</b>	<b>40,457</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,034	-	-	16,749	40,215
Due to other governments	132,606	120,179	3,351,842	-	242
Trusts payable	-	-	-	-	-
Compensated absences	1,172	-	-	-	-
<b>Total liabilities</b>	<b>\$ 134,812</b>	<b>120,179</b>	<b>3,351,842</b>	<b>16,749</b>	<b>40,457</b>

---

Other	Total
72,700	5,218,796
-	62,633
-	16,636
-	39,388,168
600	61,219
-	8,129
-	211,822
<u>73,300</u>	<u>44,967,403</u>

7,727	65,725
1,723	44,747,839
63,850	106,840
-	46,999
<u>73,300</u>	<u>44,967,403</u>

**Marshall County**  
**Combining Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2012**

	County Offices		Agricultural	County Assessor
	County	County	Extension	
	Recorder	Sheriff	Education	
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 18,244	64,289	177,915	613,875
Additions:				
Property and other county tax	-	-	176,476	378,933
E911 surcharge	-	-	-	-
State tax credits	-	-	5,851	11,701
Interest	-	-	-	-
Office fees and collections	476,572	125,761	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	484,273	-	-
Miscellaneous	-	-	-	1,036
Total additions	476,572	610,034	182,327	391,670
Deductions:				
Agency remittances:				
To other funds	226,560	125,761	-	-
To other governments	248,504	-	175,945	359,164
Trusts paid out	-	505,572	-	-
Total deductions	475,064	631,333	175,945	359,164
Balances end of year	\$ 19,752	42,990	184,297	646,381

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
23,457,038	2,848,175	12,090,369	404,309	4,794	229,823	783,026
22,817,668	2,737,136	13,430,782	400,088	4,250	-	-
-	-	-	-	-	-	-
763,023	91,898	361,503	15,110	151	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	9,773,955
-	-	-	-	-	89,223	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,580,691	2,829,034	13,792,285	415,198	4,401	89,223	9,773,955
-	-	-	-	-	-	310,574
23,202,749	2,816,702	13,663,443	399,920	4,542	96,632	9,471,115
-	-	-	-	-	-	-
23,202,749	2,816,702	13,663,443	399,920	4,542	96,632	9,781,689
23,834,980	2,860,507	12,219,211	419,587	4,653	222,414	775,292

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

	Local		Solid	
	Emergency Management Services	Tax Sale Redemption Non-County	Waste Irrevocable Trust	School Ready Children
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 67,893	111,349	3,143,335	49,347
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Interest	-	-	48,507	297
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	810,014	-	-
Miscellaneous	168,351	-	160,000	393,529
Total additions	168,351	810,014	208,507	393,826
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	101,432	-	-	426,424
Trusts paid out	-	801,184	-	-
Total deductions	101,432	801,184	-	426,424
Balances end of year	\$ 134,812	120,179	3,351,842	16,749

<u>E911</u>	<u>Other</u>	<u>Total</u>
43,531	83,121	44,190,433
-	12,217	39,957,550
163,818	-	163,818
-	-	1,249,237
70	83	48,957
-	9,428	611,761
-	702	9,774,657
-	-	89,223
-	49,754	1,344,041
-	224,018	946,934
<u>163,888</u>	<u>296,202</u>	<u>54,186,178</u>
-	-	662,895
166,962	144,577	51,278,111
-	161,446	1,468,202
<u>166,962</u>	<u>306,023</u>	<u>53,409,208</u>
<u>40,457</u>	<u>73,300</u>	<u>44,967,403</u>

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

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 12,485,437	12,058,876	11,692,229	11,055,070
Local option sales tax	925,628	1,201,856	1,406,106	1,118,897
Interest and penalty on property tax	114,693	138,983	120,109	120,826
Intergovernmental	9,623,543	8,042,690	7,808,697	7,411,323
Licenses and permits	83,260	420,754	54,908	43,873
Charges for service	775,389	783,293	764,880	752,121
Use of money and property	232,034	266,364	290,270	378,597
Miscellaneous	287,780	426,616	390,469	308,071
Total	\$ 24,527,764	23,339,432	22,527,668	21,188,778
Expenditures:				
Operating:				
Public safety and legal services	\$ 6,920,295	6,553,666	6,303,830	5,897,532
Physical health and social services	871,968	915,115	1,037,554	920,438
Mental health	4,360,668	3,939,338	3,565,959	3,795,990
County environment and education	1,033,112	941,991	881,014	880,818
Roads and transportation	5,904,478	5,682,722	5,335,732	5,141,859
Governmental services to residents	695,428	821,502	835,702	796,497
Administration	2,476,554	2,461,677	2,696,270	2,427,338
Debt service	594,129	2,482,182	581,984	734,733
Capital projects	1,431,830	1,120,566	345,886	867,654
Total	\$ 24,288,462	24,918,759	21,583,931	21,462,859

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
10,472,684	9,001,670	8,405,905	7,950,897	7,644,123	7,521,013
1,086,528	1,152,504	976,259	1,033,688	978,099	1,031,930
106,923	94,099	85,590	79,971	77,867	91,559
9,179,285	8,308,773	7,820,874	8,077,032	7,791,934	7,448,548
54,848	40,403	46,066	46,971	30,687	26,068
734,071	766,129	796,291	758,393	779,753	798,958
521,697	531,424	455,809	322,399	271,154	317,436
321,900	317,997	692,254	335,855	306,337	405,519
<u>22,477,936</u>	<u>20,212,999</u>	<u>19,279,048</u>	<u>18,605,206</u>	<u>17,879,954</u>	<u>17,641,031</u>
5,729,854	5,549,685	5,657,380	5,818,897	5,677,146	5,497,490
889,834	761,605	850,979	804,436	849,797	1,076,965
3,759,441	3,401,778	3,128,228	3,077,753	2,858,400	2,981,086
841,792	794,776	804,072	670,706	609,842	593,010
5,926,324	5,116,544	4,714,904	5,310,680	4,814,973	4,398,900
769,337	743,642	990,407	813,864	733,620	787,284
2,328,010	2,278,439	2,197,990	2,133,687	2,120,834	2,201,181
683,613	661,272	653,589	481,297	319,337	315,337
647,702	1,238,663	1,532,287	339,840	427,775	732,727
<u>21,575,907</u>	<u>20,546,404</u>	<u>20,529,836</u>	<u>19,451,160</u>	<u>18,411,724</u>	<u>18,583,980</u>

Marshall County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

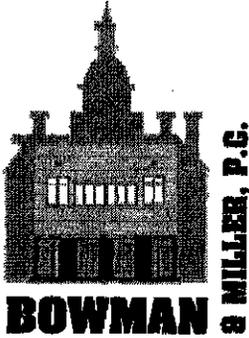
Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grant	16.710	09-HOTSPOTS-07	\$ <u>1,738</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561		<u>28,625</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program			
and on Entitlement Grants in Hawaii	14.228	11-CF-007	<u>21,936</u>
U.S. Department of Justice:			
Iowa Department of Commerce:			
Iowa Alcoholic Beverage Commission:			
Tobacco Surveillance	16.727		<u>600</u>
Iowa Department of Justice-Crime Victims Assistance Division:			
Crime Victim Assistance	16.575	VA-12	<u>26,591</u>
Violence Against Women Formula Grants	16.588	VW-12	<u>40,535</u>
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grant	16.710	09-HOTSPOTS-02	<u>34,919</u>
Recovery Act-Edward Byrne Memorial Justice			
Assistance Grant (JAG) Program/Grants to			
States and Territories	16.803	09JAG-17880	161,365
City of Marshalltown:			
Recovery Act-Edward Byrne Memorial Justice			
Assistance Grant (JAG) Program/Grants to			
States and Territories	16.803		<u>37,142</u>
			<u>198,507</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-CO64(108)	<u>141,486</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-11-02 Task 10	3,884
State and Community Highway Safety	20.600	PAP-12-04 Task 17	<u>17,936</u>
			<u>21,820</u>

Marshall County  
 Schedule of Expenditures of Federal Awards (Continued)  
 Year ended June 30, 2012

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance-State			
Administered Programs	93.566		51
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		6,347
Children's Insurance Program	93.767		100
Foster Care-Title IV-E	93.658		10,446
Adoption Assistance	93.659		3,045
Medical Assistance Program	93.778		26,883
Social Services Block Grant	93.667		9,155
Social Services Block Grant	93.667		184,456
			193,611
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT364	6,720
Public Health Emergency Preparedness	93.069	5881BT64	13,458
Public Health Emergency Preparedness	93.069	5882BT64	17,446
			37,624
Childhood Lead Poisoning Prevention Projects	93.197	5882LP05	30,300
Iowa Department of Education:			
Temporary Assistance for Needy Families	93.558		111,483
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Homeland Security Division:			
Emergency Management Performance Grants	97.042	EMPG-11-PT-64	33,980
Emergency Management Performance Grants	97.042	EMPG-12-PT-64	25,357
			59,337
Disaster Grants-Public Assistance (Presidentially			
Declared Disasters)	97.036	FEMA 4016 DRIA	26,183
Total			\$ 1,022,167

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



**C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S**

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366

James R. Bowman, CPA • jim@bowmanandmillerpc.com  
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

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

To the Officials of Marshall County:

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

Internal Control Over Financial Reporting

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

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

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

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

#### Compliance and Other Matters

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

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.

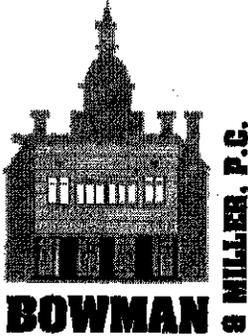
Marshall County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marshall County's responses and, accordingly, we express no opinion on them.

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

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

*Bowman and Miller, P.C.*

December 19, 2012



**C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S**

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366

James R. Bowman, CPA • jim@bowmanandmillerpc.com  
Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

Independent Auditors' 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 Marshall County:

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have

a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over compliance.

A deficiency in the County's 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 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.

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

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

*Bowman and Miller, P.C.*

December 19, 2012

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.205 – Highway Planning and Construction
  - CFDA Number 93.667 – Social Services Block Grant
  - CFDA Number 16.803 – Edward Byrne Memorial Formula Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

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

	Applicable Offices
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Sheriff

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees, however, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The sheriff’s office will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

**INSTANCES OF NON COMPLIANCE:**

No matters were reported.

Marshall County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Part III: Findings and Questioned Costs for Federal Awards:**

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting:**

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

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

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

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

Business Connection	Description	Amount
Jonathan Bailey, IT Employee, Owner of Code 0 Networks	Maintenance	\$ 2,160
Dave Thompson, Board of Supervisor, Owner of Thompson True-Value	Supplies	1,384
Dennis Bachman, father of Kim Elder, Emergency Management Director	EMS Training	4,135
Curt Miller, Secondary Road employee, Owner, Keen Edge	Services	696

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Board of Supervisor and Secondary Road employee 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 Jonathan Bailey and Dennis Bachman may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Dennis Bachman was doing the EMS training before Kim became the director. He is planning on retiring in the near future. We have consulted with our County Attorney and she has given us a letter stating that she does not believe this is a conflict of interest.

Johnathan Bailey was performing work approved by the Department of Human Services on a non- county owned building and outside of the normal scope of his duties as an employee in the information services department. The County will not be using his company in the future.

Conclusion – Response accepted.

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

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

The County Board of Supervisors went into closed session on July 29, 2011 and October 4, 2011. However, the Board minutes did not properly document the reason for the closed session as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The County should ensure that the reason for the closed session is properly documented as required by Chapter 21.5 of the Code of Iowa.

Response – Both the Iowa code section and the reason for the closed session were stated before going into closed session. However, that fact was not recorded into the official minutes. We will make every effort to correct this in the future.

Conclusion – Response accepted.

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

IV-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).

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

IV-I-12 County Sheriff – Fees – The quarterly fees for prisoner room and board, work release and jail commissary profits for the quarters ended December 31, 2011, March 31, 2012 and June 30, 2012 were not remitted to the County Treasurer until June 19, 2012. Chapter 331.902 of the Code of Iowa states, in part, “Each elective office shall make a quarterly report to the board and shall pay at least quarterly to the County Treasurer the fees and charges collected.

Recommendation – Quarterly fees should be remitted to the County Treasurer timely.

Response – A reminder was established by calendar notification for completion of the quarterly deposit. The chief jailer will coordinate with office manager so that all funds will be deposited together.

Conclusion – Response accepted.

IV-J-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.

Marshall County  
Audit Staff

This audit was performed by:

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

Personnel:

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