

RINGGOLD COUNTY
Mount Ayr, Iowa
FINANCIAL STATEMENTS
June 30, 2012

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**RINGGOLD COUNTY
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Inloes	Board of Supervisors	December 2013
Kurt Shaha	Board of Supervisors	December 2012
Dale Walters	Board of Supervisors	December 2012
Laurie Greenman	County Auditor	December 2012
Debbie Cannon	County Treasurer	December 2014
Karen Schaefer	County Recorder	December 2014
Michael Sobotka	County Sheriff	December 2012
Clinton Spurrier	County Attorney	December 2014

Independent Auditor's Report

To the Officials
Ringgold County
Mount Ayr, Iowa

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Ringgold County, Iowa, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013 on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ringgold County, Iowa's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ringgold County, Iowa (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 decreased by 8.02%, or \$776,927, from fiscal 2011 to fiscal 2012. Property tax increased by \$352,047 (12.61%), charges for services decreased by 118,618 (12.02%), operating grants increased by \$638,452 (20.17%), and capital grants decreased by \$1,209,617 (62.16%). The Local option sales tax decreased by 186,910 (39.12%) while non-restricted grants and miscellaneous revenues decreased by 174,407 (100%).
- Program expenses were 16.31%, or \$1,378,336, less in fiscal 2012 than in fiscal 2011.
- The County's net assets increased 16.81%, or \$1,835,983, 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 Ringgold 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 Ringgold County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ringgold 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.

Other Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal 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 Rural Services, Mental Health, 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 are used by management to charge the costs of certain activities such as health insurance to individual funds.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Ringgold County's combined net assets for FY12 totaled approximately \$12,755,718. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 9,060	\$ 8,816
Capital assets	<u>9,276</u>	<u>8,398</u>
Total assets	<u>18,336</u>	<u>17,214</u>
Long-term debt	2,368	2,385
Other liabilities	<u>3,213</u>	<u>3,909</u>
Total liabilities	<u>5,581</u>	<u>6,294</u>
Net assets:		
Invested in capital assets, net of related debt	7,011	6,272
Restricted	4,121	3,570
Unrestricted	<u>1,624</u>	<u>1,078</u>
Total net assets	<u>\$ 12,756</u>	<u>\$ 10,920</u>

The largest portion of the County's net assets is invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets are 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.

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

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$ 868	\$ 987
Operating grants and contributions	3,804	3,166
Capital grants and contributions	736	1,946
General revenues:		
Property taxes	3,143	2,790
Penalty and interest on property taxes	27	27
State tax credits	28	95
Local options sales tax	291	478
Investment earnings	10	57
Miscellaneous	-	139
	<u>8,907</u>	<u>9,685</u>
Total revenues		
Expenses		
Program expenses:		
Public safety and legal services	1,808	932
Physical health and social services	1,177	1,133
Mental health	823	756
County environment and education	284	372
Roads and transportation	2,162	4,269
Government services to residents	259	295
Administrative services	472	611
Non-program	11	34
Interest on long-term debt	75	48
	<u>7,071</u>	<u>8,450</u>
Total expenses		
Increase in net assets	1,836	1,235
Net assets, beginning of year	<u>10,920</u>	<u>9,685</u>
Net assets, end of year	<u>\$ 12,756</u>	<u>\$ 10,920</u>

Ringgold County's net assets of governmental activities increased approximately \$1,836,000 during the year. Revenues for governmental activities decreased approximately \$777,000 over the prior year, with property tax revenue up from the prior year approximately \$352,000 or 12.61%.

The cost of all governmental activities this year was \$7.1 million compared to \$8.5 million last year. However, as shown in the Statement of Activities on page 14, the amount taxpayers ultimately financed for these activities was only \$1.7 million because some of the cost was paid by those directly benefited from the programs (\$868,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,540,000).

INDIVIDUAL MAJOR FUND ANALYSIS

As Ringgold County completed the year, its governmental funds reported a combined fund balance of \$5.6 million, an increase of \$675,000 above last year's total of \$4.9 million.

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$254,799 from the prior year to \$1,230,203.
- Mental Health revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a decrease of \$3,499 from the prior year to \$125,672.
- Rural services revenues decreased and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$40,677 from the prior year to \$236,120.
- Secondary Roads Fund expenditures decreased by \$490,856 from the prior year, due principally to completion of bridge projects during fiscal year 2011. The Secondary Roads fund balance at June 30, 2012 increased by \$1,038,545 from the prior year to \$3,653,146. The fund balance increase is due to additional federal emergency management agency funding.

BUDGETARY HIGHLIGHTS

Over the course of the year, Ringgold County amended its budget twice. The amendment increased budgeted revenue and other financing sources by \$293,105 and disbursements by \$550,636. These amendments were made to provide for additional expenditures in certain County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Ringgold County had invested \$12.96 million 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 \$1,519,000 over the last year.

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

	<u>2012</u>	<u>2011</u>
Capital assets		
Land	\$ 1,241	\$ 1,241
Construction in progress	625	2,296
Buildings and improvements	3,278	561
Equipment and vehicles	3,755	3,712
Infrastructure	<u>4,057</u>	<u>3,627</u>
Total	<u>\$ 12,956</u>	<u>\$ 11,437</u>
This years major additions included (in thousands):		
Jail building completion		\$ 421
Infrastructure improvements		<u>1,055</u>
Total		<u>\$ 1,476</u>

The County had depreciation expense of \$652,383 in FY12 and total accumulated depreciation of \$3,680,533 at June 30, 2012.

Long-term Debt

At June 30, 2012, Ringgold County had \$2,265,000 of debt outstanding compared to \$2,385,000 at June 30, 2011, as shown below. The debt was issued to fund the construction of the County Jail Building.

**Outstanding Debt of Governmental Activities at Year End
(Expressed in Thousands)**

	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ <u>2,265</u>	\$ <u>2,385</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ringgold County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County has added no major new programs or initiatives to the 2013 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Ringgold 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 Ringgold County Auditor's Office, 109 W. Madison Street, Mount Ayr, Iowa.

BASIC FINANCIAL STATEMENTS

RINGGOLD COUNTY
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 3,510,078
Receivables:	
Property tax:	
Delinquent	150,213
Succeeding year	2,701,718
Accounts	20,061
Accrued interest	850
Due from fiduciary funds	16,411
Due from other governments	2,319,998
Prepaid expenses	107,361
Inventories	233,118
Capital assets, net of accumulated depreciation	9,276,044
Total assets	<u>18,335,852</u>
LIABILITIES	
Accounts and retainage payable	90,083
Accrued interest payable	6,203
Checks drawn in excess of bank balance	6,043
Salaries and benefits payable	166,491
Due to other governments	242,065
Deferred revenue - succeeding year property tax	2,701,718
Long-term liabilities:	
Portion due within one year	191,980
Portion due after one year	2,175,551
Total liabilities	<u>5,580,134</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,011,044
Restricted for:	
Mental health purposes	125,672
Conservation purposes	53,753
Secondary roads purposes	3,653,146
Debt service	288,019
Unrestricted	1,624,084
TOTAL NET ASSETS	<u>\$ 12,755,718</u>

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Statement of Activities
For the Year Ended June 30, 2012

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
FUNCTIONS/PROGRAMS					
Governmental activities:					
Public safety and legal services	\$ 1,807,929	\$ 245,249	\$ 8,423	\$ -	\$ (1,554,257)
Physical health and social services	1,176,927	233,618	808,080	-	(135,229)
Mental health	823,438	171,928	298,966	-	(352,544)
County environment and education	283,979	36,047	23,757	-	(224,175)
Roads and transportation	2,162,238	40,730	2,664,742	736,445	1,279,679
Governmental services to residents	259,482	116,365	-	-	(143,117)
Administrative services	472,140	24,285	-	-	(447,855)
Non-program	11,076	-	-	-	(11,076)
Interest on long-term debt	74,690	-	-	-	(74,690)
	<u>\$ 7,071,899</u>	<u>\$ 868,222</u>	<u>\$ 3,803,968</u>	<u>\$ 736,445</u>	<u>(1,663,264)</u>
GENERAL REVENUES:					
Property taxes levied for:					
General purposes					3,143,020
Penalty and interest on property tax					26,580
State tax credits					28,467
Local option sales tax					290,821
Unrestricted investment earnings					<u>10,359</u>
Total general revenues					<u>3,499,247</u>
Change in net assets					1,835,983
Net assets, beginning of year					<u>10,919,735</u>
Net assets, end of year					<u>\$ 12,755,718</u>

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Balance Sheet
Governmental Funds
June 30, 2012

	<u>Special Revenue</u>					<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	
ASSETS						
Cash and pooled investments	\$ 1,025,419	\$ 323,501	\$ 226,615	\$ 1,376,589	\$ 349,034	\$ 3,301,158
Receivables:						
Property tax:						
Delinquent	110,995	23,331	14,883	-	1,004	150,213
Succeeding year	1,575,866	331,244	794,608	-	-	2,701,718
Accounts	19,701	360	-	-	-	20,061
Accrued interest	850	-	-	-	-	850
Due from other funds	16,411	-	-	-	-	16,411
Due from other governments	127,921	27,440	-	2,164,637	-	2,319,998
Prepaid expenses	48,480	-	-	-	-	48,480
Inventories	-	-	-	233,118	-	233,118
Total assets	<u>\$ 2,925,643</u>	<u>\$ 705,876</u>	<u>\$ 1,036,106</u>	<u>\$ 3,774,344</u>	<u>\$ 350,038</u>	<u>\$ 8,792,007</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and retainage payable	\$ 23,359	\$ 4,186	\$ -	\$ 59,009	\$ 2,063	\$ 88,617
Salaries and benefits payable	92,251	6,673	5,378	62,189	-	166,491
Due to other governments	3,964	238,101	-	-	-	242,065
Deferred revenue:						
Succeeding year property tax	1,575,866	331,244	794,608	-	-	2,701,718
Total liabilities	<u>1,695,440</u>	<u>580,204</u>	<u>799,986</u>	<u>121,198</u>	<u>2,063</u>	<u>3,198,891</u>
Fund balances:						
Nonspendable:						
Inventories	-	-	-	233,118	-	233,118
Prepaid expenses	48,480	-	-	-	-	48,480
Restricted for:						
Debt service	-	-	-	-	294,222	294,222
Mental Health Purpose	-	125,672	-	-	-	125,672
Conservation Purpose	-	-	-	-	53,753	53,753
Secondary Roads	-	-	-	3,420,028	-	3,420,028
Committed for Rural Services	-	-	236,120	-	-	236,120
Unassigned	1,181,723	-	-	-	-	1,181,723
Total fund balances	<u>1,230,203</u>	<u>125,672</u>	<u>236,120</u>	<u>3,653,146</u>	<u>347,975</u>	<u>5,593,116</u>
Total liabilities and fund balances	<u>\$ 2,925,643</u>	<u>\$ 705,876</u>	<u>\$ 1,036,106</u>	<u>\$ 3,774,344</u>	<u>\$ 350,038</u>	<u>\$ 8,792,007</u>

The accompanying notes are an integral part of the financial statements.

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

Total governmental fund balances \$ 5,593,116

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

Capital assets used for governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$12,956,577 and the accumulated depreciation is \$3,680,533. 9,276,044

Long-term liabilities including a general obligation bond and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bond and compensated absences	(2,367,531)
Accrued interest payable	(6,203)

Internal Service Funds are used by management to charge the cost of certain activities, such as health insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 260,292

Net assets of governmental activities \$ 12,755,718

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>				<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>		
Revenues:						
Property and other county tax	\$ 1,931,200	\$ 342,759	\$ 205,679	\$ 649,667	\$ 290,821	\$ 3,420,126
Interest and penalty on property tax	26,580	-	-	-	-	26,580
Intergovernmental	886,185	473,139	4,449	3,401,187	8,757	4,773,717
Licenses and permits	6,080	-	-	600	-	6,680
Charges for services	542,809	1,000	-	5	-	543,814
Use of money and property	8,274	-	-	12	147	8,433
Miscellaneous	85,127	3,280	-	40,125	-	128,532
Total revenues	<u>3,486,255</u>	<u>820,178</u>	<u>210,128</u>	<u>4,091,596</u>	<u>299,725</u>	<u>8,907,882</u>
Expenditures:						
Current:						
Public safety and legal services	890,051	-	123,273	-	336,557	1,349,881
Physical health and social services	1,179,005	-	-	-	-	1,179,005
Mental health	-	823,627	-	-	-	823,627
County environment and education	230,326	-	46,178	-	2,253	278,757
Roads and transportation	-	-	-	1,990,568	-	1,990,568
Governmental services to residents	260,265	-	-	-	-	260,265
Administration	610,429	-	-	-	-	610,429
Non-program	11,076	-	-	-	-	11,076
Debt service	-	-	-	-	194,690	194,690
Capital projects	50,304	-	-	1,062,483	421,740	1,534,527
Total expenditures	<u>3,231,456</u>	<u>823,627</u>	<u>169,451</u>	<u>3,053,051</u>	<u>955,240</u>	<u>8,232,825</u>
Net change in fund balances	254,799	(3,449)	40,677	1,038,545	(655,515)	675,057
Fund balances, beginning of year	<u>975,404</u>	<u>129,121</u>	<u>195,443</u>	<u>2,614,601</u>	<u>1,003,490</u>	<u>4,918,059</u>
Fund balances, end of year	<u>\$ 1,230,203</u>	<u>\$ 125,672</u>	<u>\$ 236,120</u>	<u>\$ 3,653,146</u>	<u>\$ 347,975</u>	<u>\$ 5,593,116</u>

The accompanying notes are an integral part of the financial statements.

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

Net change in fund balances - total governmental funds \$ 675,057

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

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

Expenditures for capital assets	1,534,527
Depreciation expense	(652,383)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds the proceeds from the sale of capital assets increase financial resources. Thus, the change in fund balance differs by the cost of the capital asset sold. (3,994)

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

Principal payments - bonds	120,000
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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	9,747
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Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities. 153,029

Change in net assets of governmental activities \$ 1,835,983

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Statement of Net Assets
Proprietary Funds - Internal Service Funds
June 30, 2012

	<u>Insurance Clearing Fund</u>	<u>Other Funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 206,965	\$ 1,955	\$ 208,920
Prepaid expenses	<u>58,881</u>	<u>-</u>	<u>58,881</u>
Total assets	<u>265,846</u>	<u>1,955</u>	<u>267,801</u>
LIABILITIES			
Accounts payable	5,579	464	6,043
Due to other funds	<u>-</u>	<u>1,466</u>	<u>1,466</u>
Total liabilities	<u>5,579</u>	<u>1,930</u>	<u>7,509</u>
NET ASSETS			
Unrestricted	<u>\$ 260,267</u>	<u>\$ 25</u>	<u>\$ 260,292</u>

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2012

	<u>Insurance Clearing Fund</u>	<u>Other Funds</u>	<u>Total</u>
OPERATING REVENUE:			
Intra-county reimbursements	\$ 959,555	\$ 23,907	\$ 983,462
OPERATING EXPENSES:			
Insurance premiums	806,445	-	806,445
Medical claims	-	23,988	23,988
Total operating expenses	<u>806,445</u>	<u>23,988</u>	<u>830,433</u>
Operating income	153,110	(81)	153,029
NET ASSETS, BEGINNING OF YEAR	<u>107,157</u>	<u>106</u>	<u>107,263</u>
NET ASSETS, END OF YEAR	<u>\$ 260,267</u>	<u>\$ 25</u>	<u>\$ 260,292</u>

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year ended June 30, 2011

	<u>Insurance Clearing Fund</u>	<u>Other Funds</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 959,555	\$ 23,907	\$ 983,462
Cash paid to suppliers for services	<u>820,759</u>	<u>24,184</u>	<u>844,943</u>
Net cash provided by (used in) operating activities	138,796	(277)	138,519
Cash, beginning of year	<u>68,169</u>	<u>2,232</u>	<u>70,401</u>
Cash, end of year	<u>\$ 206,965</u>	<u>\$ 1,955</u>	<u>\$ 208,920</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 153,110	\$ (81)	\$ 153,029
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Increase in prepaid expenses	(10,169)	-	(10,169)
Increase in due to other funds	(4,145)	(1,662)	(5,807)
Decrease in accounts payable	<u>-</u>	<u>1,466</u>	<u>1,466</u>
Net cash provided by (used in) operating activities	<u>\$ 138,796</u>	<u>\$ (277)</u>	<u>\$ 138,519</u>

The accompanying notes are in integral part of the financial statements.

RINGGOLD COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

ASSETS

Cash and pooled investments:		
County treasurer	\$	948,460
Other county officials		25,502
Receivables:		
Accounts receivable		215
Property tax:		
Succeeding year		6,783,076
Due from other governments		<u>5,745</u>
 Total assets		 <u>\$ 7,762,998</u>

LIABILITIES

Accounts payable	\$	7,032
Salaries and benefits payable		7,847
Due to other funds		14,945
Due to other governments		944,888
Deferred revenue:		
Succeeding year property tax		6,783,076
Compensated absences		<u>5,210</u>
 Total liabilities		 <u>\$ 7,762,998</u>

The accompanying notes are an integral part of the financial statements.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

Reporting Entity

For financial reporting purposes, Ringgold 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.

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

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the government as a whole. These statements include all of the financial activity of the County except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through property tax, intergovernmental revenues and other nonexchange revenues. The County does not report any business-type activities.

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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. Internally generated resources are reported as general revenues rather than program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

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

A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

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 receipts that are 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 expenses, the fixed charges and the capital improvement costs that are 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 Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Rural Services Fund is used to account for property tax and other revenues designated to be used for rural county services.

The County reports the following nonmajor funds:

REAP
Jail Sales Tax
Debt Service
Jail Capital Project

Additionally, the County reports the following funds:

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.

Proprietary Funds - Internal Service Funds are 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.

All Financial Statements

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

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

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

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

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

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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 in the governmental funds 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 in governmental funds.

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.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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 proprietary funds are charges to County departments. Operating expenses for proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating 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.

The County adopted the provisions of Governmental Accounting Standards Board Statement No. 62 as of July 1, 2011.

Assets, Liabilities and Equity

Cash and Pooled Investments

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

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

Property Tax Receivable

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that 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.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Property Tax Receivable (continued)

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payment; 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 Fiduciary Funds

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

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets

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

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Capital Assets (continued)

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

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

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

Buildings	40-50 years
Building improvements	20-50 years
Infrastructure	30-50 years
Equipment	2-20 years
Vehicles	3-10 years

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.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables 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.

Compensated Absences

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

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

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

Assets, Liabilities and Equity (continued)

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

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. Payments of principal and interest are reported as expenditures.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Equity Classifications

The government-wide and proprietary fund Statement of Net Assets presents the County's assets and liabilities, with the difference reported as net assets. Net assets are reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

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

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

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

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

Assigned - This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the County Board or through the County Board delegating this responsibility.

Unassigned - All amounts not included in other classifications.

When restricted, committed, assigned, and unassigned amounts are available for use, it is the government's policy to use restricted resources first, then committed resources, then assigned resources, then unassigned resources as they are needed.

The net assets of the Internal Service are designated for catastrophic losses of the County related to employee health insurance.

(2) Budgets and Budgetary Accounting

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

Budgets are prepared in accordance with the requirements of the Code of Iowa. Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. The resolution appropriates the level of budget control by total expenditures. Appropriations lapse at year-end.

The County incurred expenditures, by function, in excess of appropriations for the tax year ended June 30, 2012, which may be in violation of the budget law.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(3) Cash and Pooled Investments

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

The County maintains a cash and investment pool that is available for use by all funds. As of June 30, 2012, the cash and pooled investments of the County consist of:

Bank account deposits	\$ 4,398,063
Iowa Public Agency Investment Trust	<u>85,977</u>
Total cash and pooled Investments	<u>\$ 4,484,040</u>
Reconciliation to Statement of Net Assets	
Cash and pooled investments	\$ 3,510,078
Fiduciary Funds	
County Treasurer	948,460
Other County Officials	<u>25,502</u>
Total cash and pooled Investments	<u>\$ 4,484,040</u>

Custodial credit risk. For deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all County funds be deposited into an approved depository and be either insured or collateralized.

The County's bank deposits 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.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(3) **Cash and Pooled Investments** (continued)

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investment in commercial paper or other short-term corporate debt to issues rated within the two highest prime classifications by at least one of the two standard rating services. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County places no limit on the amount that may be invested in any one issuer.

(4) **Due From Fiduciary Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service Fund - Unreimbursed Medical Expense	\$ 1,466
General	Agency Fund - County Recorder	<u>14,945</u>
Total General		<u>\$ 16,411</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(5) Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,241,266	\$ -	\$ -	\$ 1,241,266
Construction in progress	2,295,538	1,046,382	2,717,278	624,642
Total capital assets not being depreciated	<u>3,536,804</u>	<u>1,046,382</u>	<u>2,717,278</u>	<u>1,865,908</u>
Capital assets being depreciated				
Buildings and building improvements	560,969	2,717,278	-	3,278,247
County equipment	454,791	50,304	-	505,095
Secondary roads equipment	3,257,149	7,800	15,050	3,249,899
Infrastructure	3,627,387	430,041	-	4,057,428
Total capital assets being depreciated	<u>7,900,296</u>	<u>3,205,423</u>	<u>15,050</u>	<u>11,090,669</u>
Less: accumulated depreciation for				
Buildings and building improvements	150,974	449,149	-	600,123
County equipment	360,836	32,750	-	393,586
Secondary roads equipment	2,333,206	97,937	11,056	2,420,087
Infrastructure	194,190	72,547	-	266,737
Total accumulated depreciation	<u>3,039,206</u>	<u>652,383</u>	<u>11,056</u>	<u>3,680,533</u>
Capital assets being depreciated, net of depreciation	<u>4,861,090</u>	<u>2,553,040</u>	<u>3,994</u>	<u>7,410,136</u>
Total capital assets, net of depreciation	<u>\$ 8,397,894</u>	<u>\$ 3,599,422</u>	<u>\$ 2,721,272</u>	<u>\$ 9,276,044</u>

Depreciation expense was charged to the following functions:

Governmental activities	
Public safety and legal services	\$ 455,278
Physical health and social services	5,642
County environment and education	4,609
Roads and transportation	170,484
Administrative services	<u>16,370</u>
Total governmental activities depreciation expense	<u>\$ 652,383</u>

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 3,964
Special Revenue		
Mental Health	Services	<u>238,101</u>
Total for governmental funds		<u>\$ 242,065</u>
Agency	Collections	
Emergency Management		\$ 53,011
Inmate Jail Fee 60%		36,860
E911 Surcharge		162,950
Special Appraisers		42,060
Hospital		16,125
Agricultural Extension		90,412
District Schools		69,638
County Corporations		17,108
Auto License & Use Tax		127,558
Anticipated Property Tax		50,210
RC Grid Systems		111,786
K-9 Unit		15,196
Tri-County Sheriff		82,089
All Other		<u>69,885</u>
Total for agency funds		<u>\$ 944,888</u>

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(7) Long-Term Liabilities

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

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due within One Year
General obligation bonds	\$ 2,385,000	\$ -	\$ 120,000	\$ 2,265,000	\$ 125,000
Compensated absences	112,278	75,909	85,656	102,531	66,980
Total	\$ 2,497,278	\$ 75,909	\$ 205,656	\$ 2,367,531	\$ 191,980

During the period ended June 30, 2011, the County issued \$2,500,000 of general obligation bonds. The bonds are serial bonds and mature in increments as described below on June 1 of every year. Interest is payable semiannually on June 1 and December 1 of each year. The bonds are callable at the County's option beginning on June 1, 2019. The bonds are secured by a Local Option Sales Tax. The interest rate on the bonds varies from 2.50% to 3.80%.

Principal and interest to maturity are shown below:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.50%	\$ 125,000	\$ 71,440	\$ 196,440
2014	2.50%	125,000	68,315	193,315
2015	2.50%	130,000	35,190	165,190
2016	2.50%	135,000	61,940	196,940
2017	2.75%	135,000	58,565	193,565
2018-2022	2.75-3.40%	740,000	232,440	972,440
2023-2027	3.50-3.80%	875,000	99,590	974,590
Total		\$ 2,265,000	\$ 627,480	\$ 2,892,480

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(8) 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$185,360, \$187,916 and \$174,495, respectively, equal to the required contributions for each year.

(9) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$96,960.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(9) Risk Management (continued)

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

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

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

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

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(10) 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.

Ringgold County Assessor's Conference Board

The County Board of Supervisors are members of or appointed representatives to the Ringgold County Assessor's Conference Board. Financial transactions of this organization 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 an Agency Fund of the County.

Solid Waste Management Commission

The County is a member of the Wayne-Ringgold- Decatur County Solid Waste Management Commission, hereinafter referred to as the "Commission". The Commission is an intergovernmental group whose members include Wayne, Ringgold and Decatur Counties including cities in and around those counties. The Commission was created with a purpose to operate and maintain solid waste facilities for member units of government, as authorized by Chapter 28E of the Code of Iowa. Ringgold County submits payments to the commission based on the County's usage of the landfill. Ringgold County, in the event of dissolution of the Commission, or the withdrawal of the County from the Commission, shall, as stated in the Joint Powers Agreement creating the Commission, have a perpetual obligation to continue to make contributions to the Commission, or its successors, for closure and post-closure costs. The required contribution will be based upon a formula stated in the Joint Powers Agreement for the Commission. Annual payments made by the County to cover this liability for the year ended June 30, 2012 totaled \$23,760. Ringgold County's proportionate share of the total estimated post-closure costs has not been determined by the County nor the Commission.

(11) Employee Health Insurance Plan

Ringgold County Insurance Clearing Fund, an internal service fund, was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Employee Benefits Systems. The County reimburses the participant's deductibles up to \$1,900 for union employees and up to \$1,250 for non union employees.

Monthly payments of service fees and plan contributions to the Ringgold County Insurance Clearing Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payment of service fees and claims processed are paid to Kabel Business Services from the Ringgold County PSF Fund. The County's contribution for the year ended June 30, 2012 was \$959,555.

Amounts payable from the Ringgold County Insurance Clearing Fund at June 30, 2012 total \$5,579, which is for incurred but not reported (IBNR) and reported but not paid claims. The County pays for costs as they are incurred and has not established a reserve for IBNR.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(11) **Employee Health Insurance Plan** (continued)

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.

A reconciliation of changes in the aggregate liability for claims for the last two years is as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims - Beginning of Year	\$ 9,724	\$ 25,198
Current year claims and changes in estimates	806,445	771,405
Claim payments	<u>810,590</u>	<u>786,879</u>
 Unpaid claims - End of Year	 <u>\$ 5,579</u>	 <u>\$ 9,724</u>

(12) **Governmental Accounting Standards (GASB) Pronouncements**

As of June 30, 2012, the County adopted the following Governmental Accounting Standards Board (GASB) statements, which did not have a material effect on the financial statements:

GASB Statement No. 57 ("GASB 57"), "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", issued December 2009, was implemented for the County beginning with its fiscal year ending June 30, 2012. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*, issued December 2010, was early implemented for the County beginning with its fiscal year ending June 30, 2012. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 64, *Derivative Instruments Application of Hedge Accounting Termination Provisions - and amendment of GASB Statement No. 53*, issued June 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(12) Governmental Accounting Standards (GASB) Pronouncements (continued)

As of June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued the following statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, issued November 2010. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

GASB Statement No. 67 ("GASB 67"), "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", issued June 2012, will be effective for the County beginning with its fiscal year ending June 30, 2014. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non-employer governments that have a legal obligation to contribute to those plans.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2012

(12) Governmental Accounting Standards (GASB) Pronouncements (continued)

GASB Statement No. 68 ("GASB 68"), "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the County beginning with its fiscal year ending June 30, 2015. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

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

(13) Subsequent Events

Management evaluated subsequent events through March 29, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to March 29, 2013, that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual</u>
		<u>Original</u>	<u>Final</u>	<u>Variance-</u>
				<u>Positive/</u>
				<u>(Negative)</u>
RECEIPTS:				
Property and other county taxes	\$ 3,445,772	\$ 3,279,214	\$ 3,281,612	\$ 164,160
Interest and penalty on property tax	26,580	15,400	15,400	11,180
Intergovernmental	4,147,578	3,677,029	3,677,029	470,549
Licenses and permits	6,805	4,125	4,125	2,680
Charges for services	517,462	490,188	490,188	27,274
Use of money and property	8,421	17,201	17,201	(8,780)
Miscellaneous	124,349	813,925	1,104,632	(980,283)
Total receipts	<u>8,276,967</u>	<u>8,297,082</u>	<u>8,590,187</u>	<u>(313,220)</u>
DISBURSEMENTS:				
Public safety and legal services	878,862	1,087,590	1,098,341	(219,479)
Physical health and social services	961,882	1,021,764	1,149,431	(187,549)
Mental health	664,283	955,213	955,213	(290,930)
County environment and education	293,975	245,743	295,499	(1,524)
Roads and transportation	2,934,387	2,844,397	3,197,997	(263,610)
Governmental services to residents	125,634	290,962	290,962	(165,328)
Administration	411,677	1,580,302	1,589,164	(1,177,487)
Non-program	11,076	22,700	22,700	(11,624)
Debt service	194,690	250,000	250,000	(55,310)
Capital projects	1,242,725	308,000	308,000	934,725
Total disbursements	<u>7,719,191</u>	<u>8,606,671</u>	<u>9,157,307</u>	<u>(1,438,116)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	557,776	(309,589)	(567,120)	1,124,896
OTHER FINANCING SOURCES, NET	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS	<u>\$ 557,776</u>	<u>\$ (309,589)</u>	<u>\$ (567,120)</u>	<u>\$ 1,124,896</u>

RINGGOLD COUNTY
Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,276,967	\$ 630,915	\$ 8,907,882
Expenditures	7,719,191	513,634	8,232,825
Net	557,776	117,281	675,057
Beginning fund balances	3,981,758	936,301	4,918,059
Ending fund balances	\$ 4,539,534	\$ 1,053,582	\$ 5,593,116

RINGGOLD 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, the capital projects funds, and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$293,105 and disbursements by \$550,636. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

RINGGOLD COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>			<u>Capital</u>	
	<u>REAP</u>	<u>Jail Sales Tax Fund</u>	<u>Debt Service</u>	<u>Project Jail</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 53,753	\$ 287,969	\$ 7,312	\$ -	\$ 349,034
Receivables:					
Property tax:					
Delinquent	<u>-</u>	<u>1,004</u>	<u>-</u>	<u>-</u>	<u>1,004</u>
TOTAL ASSETS	<u>\$ 53,753</u>	<u>\$ 288,973</u>	<u>\$ 7,312</u>	<u>\$ -</u>	<u>\$ 350,038</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	<u>\$ -</u>	<u>\$ 2,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,063</u>
Fund balances:					
Restricted for:					
Debt service	-	286,910	7,312	-	294,222
Conservation Purpose	<u>53,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,753</u>
Total fund balances	<u>53,753</u>	<u>286,910</u>	<u>7,312</u>	<u>-</u>	<u>347,975</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,753</u>	<u>\$ 288,973</u>	<u>\$ 7,312</u>	<u>\$ -</u>	<u>\$ 350,038</u>

RINGGOLD COUNTY
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital</u>	<u>Total</u>
	<u>REAP</u>	<u>Jail Sales Tax Fund</u>		<u>Project Jail</u>	
Revenues:					
Property tax and other county tax	\$ -	\$ 290,821	\$ -	\$ -	\$ 290,821
Intergovernmental	8,757	-	-	-	8,757
Use of money and property	<u>26</u>	<u>58</u>	<u>-</u>	<u>63</u>	<u>147</u>
Total revenues	<u>8,783</u>	<u>290,879</u>	<u>-</u>	<u>63</u>	<u>299,725</u>
Expenditures:					
Public safety and legal services	-	336,557	-	-	336,557
County environment and education	2,253	-	-	-	2,253
Debt service	-	194,690	-	-	194,690
Capital projects	<u>-</u>	<u>162,429</u>	<u>-</u>	<u>259,311</u>	<u>421,740</u>
Total expenditures	<u>2,253</u>	<u>693,676</u>	<u>-</u>	<u>259,311</u>	<u>955,240</u>
Excess (deficiency) of revenues over expenditures	6,530	(402,797)	-	(259,248)	(655,515)
Fund balances, beginning of year	<u>47,223</u>	<u>689,707</u>	<u>7,312</u>	<u>259,248</u>	<u>1,003,490</u>
Fund balances, end of year	<u>\$ 53,753</u>	<u>\$ 286,910</u>	<u>\$ 7,312</u>	<u>\$ -</u>	<u>\$ 347,975</u>

RINGGOLD COUNTY
Combining Statement of Net Assets
Other Proprietary Funds
June 30, 2012

	Internal Service		
	Unreimbursed Medical	Dependent Care	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,955	\$ 1,955
LIABILITIES			
Accounts Payable	464	-	464
Due to other funds	1,466	-	1,466
Total liabilities	1,930	-	1,930
NET ASSETS			
Unrestricted	\$ (1,930)	\$ 1,955	\$ 25

RINGGOLD COUNTY
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Other Proprietary Funds
Year Ended June 30, 2012

	Internal Service		
	Unreimbursed Medical	Dependent Care	Total
OPERATING REVENUE:			
Intra-county reimbursements	17,719	\$ 6,188	\$ 23,907
OPERATING EXPENSES:			
Medical claims	17,523	6,465	23,988
Operating income	196	(277)	(81)
NET ASSETS, BEGINNING OF YEAR	(2,126)	2,232	106
NET ASSETS, END OF YEAR	\$ (1,930)	\$ 1,955	\$ 25

RINGGOLD COUNTY
Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

	<u>County Offices</u>			<u>Sheriff's</u>							
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Emergency Management</u>	<u>DARE</u>	<u>Special Fund</u>	<u>Sheriff's Forfeiture</u>	<u>Sheriff's Reserves</u>	<u>Inmate Jail Fee/60%</u>	<u>Inmate Jail Fee/40%</u>	<u>E911 Surcharge</u>	<u>County Assessor</u>
ASSETS											
Cash and pooled investments:											
County treasurer	\$ -	\$ -	\$ 56,060	\$ 2,010	\$ 1,396	\$ 11,924	\$ 8,779	\$ 36,860	\$ -	\$ 164,320	\$ 17,663
Other county officials	19,219	6,283	-	-	-	-	-	-	-	-	-
Receivables:											
Accounts receivable	215	-	-	-	-	-	-	-	-	-	-
Property tax:											
Succeeding year	-	-	-	-	-	-	-	-	-	-	71,537
Due from other governments	-	-	-	-	-	-	3,176	-	2,896	-	-
Total assets	\$ 19,434	\$ 6,283	\$ 56,060	\$ 2,010	\$ 1,396	\$ 11,924	\$ 11,955	\$ 36,860	\$ 2,896	\$ 164,320	\$ 89,200
LIABILITIES											
Accounts payable	\$ -	\$ 5,546	\$ 118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,186	\$ 182
Salaries and benefits payable	-	-	2,604	-	-	-	-	-	-	184	5,059
Due to other funds	14,945	-	-	-	-	-	-	-	-	-	-
Due to other governments	4,489	737	53,011	2,010	1,396	11,924	11,955	36,860	2,896	162,950	7,539
Deferred revenue:											
Succeeding year property tax	-	-	-	-	-	-	-	-	-	-	71,537
Compensated absences	-	-	327	-	-	-	-	-	-	-	4,883
Total liabilities	\$ 19,434	\$ 6,283	\$ 56,060	\$ 2,010	\$ 1,396	\$ 11,924	\$ 11,955	\$ 36,860	\$ 2,896	\$ 164,320	\$ 89,200

RINGGOLD COUNTY
Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

ASSETS	Special Appraisers	Hospital	Agricultural Extension	District Schools	Area Vocational Schools	County Corporations	2001 Mt. Ayr Sewer Project	City of Mt. Ayr Nuisance Assessment	Township	Brucellosis/ Tuberculosis	Sun Valley Sanitary Dist.
Cash and pooled investments:											
County treasurer	\$ 42,060	\$ 16,125	\$ 90,412	\$ 69,638	\$ 3,276	\$ 17,108	\$ -	\$ 5,463	\$ 2,142	\$ 13	\$ 482
Other county officials	-	-	-	-	-	-	-	-	-	-	-
Receivables:											
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Property tax:											
Succeeding year	91,604	1,239,905	76,973	4,157,673	197,326	701,626	-	-	147,542	-	98,890
Due from other governments	-	-	-	-	(327)	-	-	-	-	-	-
Total assets	<u>\$ 133,664</u>	<u>\$ 1,256,030</u>	<u>\$ 167,385</u>	<u>\$ 4,227,311</u>	<u>\$ 200,275</u>	<u>\$ 718,734</u>	<u>\$ -</u>	<u>\$ 5,463</u>	<u>\$ 149,684</u>	<u>\$ 13</u>	<u>\$ 99,372</u>
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Due to other governments	42,060	16,125	90,412	69,638	2,949	17,108	-	5,463	2,142	13	482
Deferred revenue:											
Succeeding year property tax	91,604	1,239,905	76,973	4,157,673	197,326	701,626	-	-	147,542	-	98,890
Compensated absences	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ 133,664</u>	<u>\$ 1,256,030</u>	<u>\$ 167,385</u>	<u>\$ 4,227,311</u>	<u>\$ 200,275</u>	<u>\$ 718,734</u>	<u>\$ -</u>	<u>\$ 5,463</u>	<u>\$ 149,684</u>	<u>\$ 13</u>	<u>\$ 99,372</u>

RINGGOLD COUNTY
Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

ASSETS	Auto License & Use Tax	Anatomical Gift Donation	Anticipated Property Tax	Tax Sale Redemption	Recorder's Electronic Fee	RC Grid Systems	Civil Service Commission	K-9 Unit	Tri-County Sheriff	Sun Valley RIZ	Sheriff Commissary	Total
Cash and pooled investments:												
County treasurer	\$ 127,558	\$ -	\$ 50,210	\$ 8,296	\$ 185	\$ 111,786	\$ 114	\$ 15,196	\$ 82,089	\$ 1,555	\$ 5,740	\$ 948,460
Other county officials	-	-	-	-	-	-	-	-	-	-	-	25,502
Receivables:												
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	215
Property tax:												
Succeeding year	-	-	-	-	-	-	-	-	-	-	-	6,783,076
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	5,745
Total assets	\$ 127,558	\$ -	\$ 50,210	\$ 8,296	\$ 185	\$ 111,786	\$ 114	\$ 15,196	\$ 82,089	\$ 1,555	\$ 5,740	\$ 7,762,998
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,032
Salaries and benefits payable	-	-	-	-	-	-	-	-	-	-	-	7,847
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	14,945
Due to other governments	127,558	-	50,210	8,296	185	111,786	114	15,196	82,089	1,555	5,740	944,888
Deferred revenue:												
Succeeding year property tax	-	-	-	-	-	-	-	-	-	-	-	6,783,076
Compensated absences	-	-	-	-	-	-	-	-	-	-	-	5,210
Total liabilities	\$ 127,558	\$ -	\$ 50,210	\$ 8,296	\$ 185	\$ 111,786	\$ 114	\$ 15,196	\$ 82,089	\$ 1,555	\$ 5,740	\$ 7,762,998

RINGGOLD COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	County Offices			DARE	Sheriff's			Inmate Jail Fee/60%	Inmate Jail Fee/40%	E911 Surcharge	County Assessor
	County Recorder	County Sheriff	Emergency Management		Special Fund	Sheriff's Forfeiture	Sheriff's Reserves				
ASSETS AND LIABILITIES											
Balances, beginning of year	\$ 27,616	\$ 5,026	\$ 60,043	\$ 1,910	\$ 1,196	\$ 5,424	\$ 11,199	\$ 31,344	\$ 2,896	\$ 146,773	\$ 94,156
Additions:											
Property and other county tax	-	-	-	-	-	-	-	-	-	-	76,137
E911 surcharge	-	-	-	-	-	-	-	-	-	-	-
State tax credits	-	-	-	-	-	-	-	-	-	-	2,457
Contributions from other government	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental units	-	-	51,789	-	-	-	-	-	-	46,294	1,201
Auto license fees & use tax	-	-	-	-	-	-	-	-	-	-	-
Electronic transaction fee	142,145	17,046	-	100	-	6,500	4,740	5,516	3,677	-	380
Interest on investments	-	-	-	-	-	-	-	-	-	376	-
Assessments	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,115	37,648	5,754	-	200	-	-	-	-	135	-
Total additions	<u>143,260</u>	<u>54,694</u>	<u>57,543</u>	<u>100</u>	<u>200</u>	<u>6,500</u>	<u>4,740</u>	<u>5,516</u>	<u>3,677</u>	<u>46,805</u>	<u>80,175</u>
Deductions:											
Agency remittances:											
To other funds	56,983	12,426	-	-	-	-	-	-	3,677	-	-
To other governments	94,459	32,654	61,526	-	-	-	3,984	-	-	29,258	85,131
To private sector	-	8,357	-	-	-	-	-	-	-	-	-
Total deductions	<u>151,442</u>	<u>53,437</u>	<u>61,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,984</u>	<u>-</u>	<u>3,677</u>	<u>29,258</u>	<u>85,131</u>
Balances, end of year	\$ 19,434	\$ 6,283	\$ 56,060	\$ 2,010	\$ 1,396	\$ 11,924	\$ 11,955	\$ 36,860	\$ 2,896	\$ 164,320	\$ 89,200

RINGGOLD COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

ASSETS AND LIABILITIES	Special Appraisers	Hospital	Agricultural Extension	District Schools	Area Vocational Schools	County Corporations	2001 Mt. Ayr Sewer Project	City of Mt. Ayr Nuisance Assessment	Township	Brucellosis/ Tuberculosis	Sun Valley Sanitary Dist.
Balances, beginning of year	\$ 126,643	\$ 1,008,969	\$ 153,103	\$ 4,324,181	\$ 205,399	\$ 785,571	\$ -	\$ 622	\$ 142,924	\$ 11	\$ 99,646
Additions:											
Property and other county tax	82,657	983,417	151,599	4,238,341	199,772	735,736	-	-	139,001	804	90,451
E911 surcharge	-	-	-	-	-	-	-	-	-	-	-
State tax credits	2,668	31,737	2,433	137,745	6,447	30,774	-	-	3,979	26	59
Contributions from other government	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental units	1,304	15,507	122,744	67,088	3,150	2,347	-	-	2,540	12	5
Auto license fees & use tax	-	-	-	-	-	-	-	-	-	-	-
Electronic transaction fee	-	-	-	-	-	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	23,205	-	-	-	-	16,246	-	-	-
Total additions	<u>86,629</u>	<u>1,030,661</u>	<u>299,981</u>	<u>4,443,174</u>	<u>209,369</u>	<u>768,857</u>	<u>-</u>	<u>16,246</u>	<u>145,520</u>	<u>842</u>	<u>90,515</u>
Deductions:											
Agency remittances:											
To other funds	-	-	-	-	-	-	-	-	-	-	-
To other governments	79,608	783,600	285,699	4,540,044	214,493	835,694	-	11,405	138,760	840	90,789
To private sector	-	-	-	-	-	-	-	-	-	-	-
Total deductions	<u>79,608</u>	<u>783,600</u>	<u>285,699</u>	<u>4,540,044</u>	<u>214,493</u>	<u>835,694</u>	<u>-</u>	<u>11,405</u>	<u>138,760</u>	<u>840</u>	<u>90,789</u>
Balances, end of year	<u>\$ 133,664</u>	<u>\$ 1,256,030</u>	<u>\$ 167,385</u>	<u>\$ 4,227,311</u>	<u>\$ 200,275</u>	<u>\$ 718,734</u>	<u>\$ -</u>	<u>\$ 5,463</u>	<u>\$ 149,684</u>	<u>\$ 13</u>	<u>\$ 99,372</u>

RINGGOLD COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	<u>Auto License & Use Tax</u>	<u>Anatomical Gift Donation</u>	<u>Anticipated Property Tax</u>	<u>Tax Sale Redemption</u>	<u>Recorder's Electronic Fee</u>	<u>RC Grid Systems</u>	<u>Civil Service Commission</u>	<u>K-9 Unit</u>	<u>Tri-County Sheriff</u>	<u>Sun Valley RIZ</u>	<u>Sheriff Commissary</u>	<u>Total</u>
ASSETS AND LIABILITIES												
Balances, beginning of year	\$ 117,896	\$ -	\$ 28,807	\$ 965	\$ 563	\$111,494	\$ 206	\$ 20,139	\$ 139,566	\$ 1,651	\$ 2,446	\$ 7,658,385
Additions:												
Property and other county tax	-	-	-	-	-	-	-	-	-	291,184	-	6,989,099
E911 surcharge	-	-	-	-	-	-	-	-	-	-	-	-
State tax credits	-	-	-	-	-	-	-	-	-	-	-	218,325
Contributions from other government	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental units	-	-	58,288	-	-	-	-	574	-	15	7,434	380,292
Auto license fees & use tax	1,652,423	-	-	-	-	-	-	-	-	-	-	1,652,423
Electronic transaction fee	-	27	-	50,858	1,818	-	-	-	-	-	-	232,807
Interest on investments	-	-	-	-	-	292	-	4	-	-	-	672
Assessments	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	28,000	-	-	112,303
Total additions	<u>1,652,423</u>	<u>27</u>	<u>58,288</u>	<u>50,858</u>	<u>1,818</u>	<u>292</u>	<u>-</u>	<u>578</u>	<u>28,000</u>	<u>291,199</u>	<u>7,434</u>	<u>9,585,921</u>
Deductions:												
Agency remittances:												
To other funds	-	-	-	-	-	-	-	-	-	-	-	73,086
To other governments	1,642,761	27	36,885	43,527	2,196	-	92	5,521	85,477	291,295	4,140	9,399,865
To private sector	-	-	-	-	-	-	-	-	-	-	-	8,357
Total deductions	<u>1,642,761</u>	<u>27</u>	<u>36,885</u>	<u>43,527</u>	<u>2,196</u>	<u>-</u>	<u>92</u>	<u>5,521</u>	<u>85,477</u>	<u>291,295</u>	<u>4,140</u>	<u>9,481,308</u>
Balances, end of year	\$ 127,558	\$ -	\$ 50,210	\$ 8,296	\$ 185	\$111,786	\$ 114	\$ 15,196	\$ 82,089	\$ 1,555	\$ 5,740	\$ 7,762,998

RINGGOLD COUNTY
Schedule of Revenues by Source and
Expenditures by Function
All Governmental Funds
For the Last Seven Years

Modified Accrual Basis

	2012	2011	2010	2009	2008	2007	2006
Revenues:							
Property and other county tax	\$ 3,420,126	\$ 3,273,072	\$ 2,781,602	\$ 2,922,551	\$ 2,378,667	\$ 1,956,741	\$ 2,053,277
Interest and penalty on property tax	26,580	27,057	28,652	25,387	23,318	25,247	27,031
Intergovernmental	4,773,717	5,564,334	3,986,194	5,998,642	2,953,366	3,166,022	3,251,379
Licenses and permits	6,680	7,438	4,890	4,648	4,063	3,990	4,095
Charges for services	543,814	507,240	463,787	457,122	463,708	445,510	428,925
Use of money and property	8,433	19,262	34,244	28,865	70,008	97,606	75,665
Miscellaneous	128,532	243,959	106,450	614,571	748,897	626,826	283,620
Total	\$ 8,907,882	\$ 9,642,362	\$ 7,405,819	\$ 10,051,786	\$ 6,642,027	\$ 6,321,942	\$ 6,123,992
Expenditures:							
Current:							
Public safety and legal services	\$ 1,349,881	\$ 918,043	\$ 921,523	\$ 891,050	\$ 886,922	\$ 874,604	\$ 701,767
Physical health and social services	1,179,005	1,125,980	839,200	773,597	692,498	627,573	589,576
Mental health	823,627	752,826	679,565	736,701	770,648	845,620	813,173
County environment and education services	278,757	371,171	219,286	270,747	255,199	218,889	276,470
Roads and transportation	1,990,568	4,094,781	2,586,503	2,554,590	2,675,684	2,270,960	2,522,764
Governmental services to residents	260,265	295,467	261,091	257,093	238,969	224,146	304,642
Administrative services	610,429	603,908	624,025	1,165,004	1,151,770	951,928	528,631
Non-program	11,076	12,821	11,558	12,580	11,078	12,461	14,599
Debt service	194,690	156,449	42,680	42,680	42,680	42,681	42,680
Capital projects	1,534,527	2,315,063	761,939	2,075,840	35,430	299,780	497,199
Total	\$ 8,232,825	\$ 10,646,509	\$ 6,947,370	\$ 8,779,882	\$ 6,760,878	\$ 6,368,642	\$ 6,291,501

SINGLE AUDIT

RINGGOLD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security			
Passed Through the Iowa Homeland Security and Emergency Management Division Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Public Assistance Secondary Roads	97.036	FEMA-DR-1930	\$ 468,257
Emergency Management Performance Grant	97.042	EMPG-11-PT-80	<u>21,491</u>
Total U.S. Department of Homeland Security			489,748
U.S. Department of Health and Human Services			
Passed Through the Iowa Department of Public Health			
Immunization Service	93.268	58811467	5,878
Iowa Healthy Communities Initiative	93.283	5881OB17	330
Public Health Emergency Preparedness	93.069	5881BT380	18,987
Social Services Block Grant	93.667		25,323
Community Transformation Grant	93.531		27,289
Communities Putting Prevention to Work	93.724	5880TOB01	<u>236,885</u>
Total U.S. Department of Health and Human Services			314,692
U.S. Department of Agriculture			
Passed Through the Iowa Department of Public Health			
Iowa Nutrition Network Basics	10.561	5881NU60	6,260
U.S. Department of Transportation			
Passed Through the Iowa Department of Traffic Safety			
State and Community Highway Safety Grant	20.600		5,865
Highway Planning and Construction	20.205	406-145	<u>249,083</u>
Total U.S. Department of Transportation			254,948
Total Federal Awards			<u>\$ 1,065,648</u>

Basis of Presentation: The Schedule of Federal Awards includes the federal grant activity of Ringgold 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.

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

To the Board of Supervisors
Ringgold County
Mount Ayr, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ringgold County, Iowa (County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Ringgold County, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2012-01, 2012-02, 2012-03, 2012-04 and 2012-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ringgold 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part IV of the accompanying schedule of findings and questioned costs.

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

Ringgold County, Iowa's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ringgold County and other parties to whom Ringgold 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.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
March 29, 2013

**Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133**

To the Board of Supervisors
Ringgold County
Mount Ayr, Iowa

Compliance

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

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

As described in items 2012-05 and 2012-07 in the accompanying schedule of findings and questioned costs, Ringgold County, Iowa did not comply with requirements regarding reporting that are applicable to its Highway Planning and Safety Grant and Public Assistance Grant. The County also did not comply with the requirements of the Davis Bacon Act that are applicable to its Highway Planning and Safety Grant. Compliance with such requirements is necessary, in our opinion, for Ringgold County to comply with the requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ringgold County complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Ringgold County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 Ringgold County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-05, 2012-06 and 2012-07 to be material weaknesses.

Ringgold County, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Ringgold County, Iowa and other parties to whom Ringgold County, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
March 29, 2013

**RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grants
20.205	Highway Planning and Construction Grant

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

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2012-01: LACK OF SEGREGATION OF DUTIES

Criteria: The County has a responsibility to establish and maintain effective internal controls over cash receipts and disbursements, which includes adequate segregation of duties.

Condition: There is a lack of segregation of duties within the Treasurer function. The Deputy Treasurer and Treasurer have the ability to initiate, authorize and record cash receipts and cash disbursements. Additionally, the Treasury Department has access to blank check stock. While the Board reviews financial activity, there is no process for determining that the cash activity reviewed is complete. There is a lack of segregation of duties within the Auditor function. The Deputy Auditor and Auditor have the ability to initiate, authorize and record general disbursements and payroll disbursements. While the Board reviews and approves disbursements, there is no process to ensure completeness over the disbursements and payroll runs. The Deputy Auditor and Auditor have the ability to modify pay rates and there is no review over pay rates to ensure that modifications are proper. Software access rights need to be limited for employees within the Treasurer and Auditor office. In addition, there is no review process over federal expenditure tracking and reporting.

Questioned Costs: No questioned costs noted.

Cause: The County has not properly segregated responsibilities for cash handling and does not have a method in place to ensure that the Board receives a complete population of cash activity for monthly review and approval.

Effect: Incompatible duties were not properly segregated. As a result, there is a higher risk that errors or fraud could occur and not be detected or corrected on a timely basis.

Recommendation: Duties for initiation and recording of cash activity should immediately be segregated. The auditor's office (Deputy) should have responsibility for initiating all cash disbursements. The Treasurer should review and approve the bank reconciliations monthly, and make all cash transfers. The County should determine policies and procedures to ensure the completeness of the cash disbursements submitted to the Board, and the Board should review cash disbursements and cash transfers on a regular basis. Wage or salary modifications should be reviewed. Software access rights should be limited and appropriately segregated. Personal passwords should be set up for each employee's computer. A review process of federal expenditure and tracking and reporting should be established.

Management Response and Corrective Action Plan: We agree, and will continue to look for ways to realign and reassign duties where practical.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2012-02: PREPARATION OF FINANCIAL STATEMENTS

Criteria: The Board of Supervisors and management share the ultimate responsibility for the County's financial statements, including disclosures. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered a part of the County's internal control system. The County has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Condition: The County has not implemented procedures, to the degree necessary, to perform a review of, and assume responsibility for, the County's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Questioned Costs: No questioned costs noted.

Cause: The County has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Effect: As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Recommendation: We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the County's activities and operations.

Management Response: The County does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. As a result, Ringgold County will continue to rely on the independent auditor to assist with identifying disclosures required in the financial statements.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2012-03: AUDIT ADJUSTMENTS

Criteria: The County should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition: During the course of the audit, misstatements that had a material effect on the County's financial statements were discovered. Adjusting journal entries were made to correct these misstatements. Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the County's internal control system.

Questioned Costs: No questioned costs noted.

Cause: The County has relied on the independent auditor to assist in recording all accrual adjustments and to provide assurance that the financial statements are not materially misstated.

Effect: As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

Recommendation: We recommend that the County establish internal procedures to ensure all financial activity is recorded and the funds are in balance prior to the audit.

Management Response: Management believes establishing these procedures will result in potential financial statement misstatements being identified and corrected prior to audit.

2012-04: CAPITAL ASSET REPORTING

Criteria: The County maintain a record of capital assets and related depreciation.

Condition: During the course of the audit, we identified that the County does not have procedures in place to identify capital asset balances and related depreciation, nor to track additions and deletions.

Questioned Costs: No questioned costs noted.

Cause: The County has relied on the independent auditor to assist in recording all accrual adjustments and to provide assurance that the financial statements are not materially misstated.

Effect: As a result of this condition, there is a higher risk that errors in reporting capital assets that are material to the financial statements could occur and not be detected.

Recommendation: We recommend that the County establish internal procedures to ensure all capital assets are tracked and that depreciation is determined.

Management Response: The County Auditor will establish procedures to obtain asset additions, deletions and update a spreadsheet of capital assets balances.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2012-05: FEDERAL AWARD REPORTING

CFDA Number: All Programs

Program Name: All Programs

Funding Agency: Various

Compliance Requirement: Preparation of Schedule of Expenditures of Federal Awards

Finding: Material weakness in internal control, material noncompliance, qualification

Criteria: The Board of Supervisors and management share responsibility for the County's financial statements, including disclosures.

Condition: Grant management is decentralized within the County. County management has established procedures to track all federal awards received and they were unaware that various awards received were Federal Awards. As such the County historically has not been able to identify all federal awards that it has received through the state of Iowa.

Questioned Costs: No questioned costs noted.

Cause: The County lacks controls for tracking and monitoring federal awards.

Effect: As a result of this condition, the County was not able to appropriately identify all expenditures for inclusion in the Schedule of Expenditures of Federal Awards as federal awards.

Recommendation: We recommend that the management of Ringgold County, Iowa develop a process for County offices to notify the County Auditor of Federal Funds received. The County Auditor should provide oversight of the accounting and reporting of the expenditure of Federal funds.

Management Response: The County Auditor will create a binder to track federal awards. The County Auditor will develop open communication with other departments to know when expenditures are for federal awards.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2012-06

CFDA Number: 20.205

Program Name: Highway Planning and Construction Grant

Funding Agency: Department of Transportation

Compliance Requirement: Procurement, Suspension and Debarment

Finding: Material weakness in internal control

Criteria: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide non-procurement debarment and suspension guidance contains those additional limited circumstances. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

Condition: The County was not able to provide documentation supporting procedures performed to ensure that vendors are evaluated for compliance within the suspension and debarment requirement.

Questioned Costs: No questioned costs noted.

Cause: County personnel were not aware of the requirement to document procedures performed.

Effect: Ringgold County was not able to provide support showing the County reviewed the suspended and debarred status of vendors for a material amount of transactions.

Recommendation: We recommend that Ringgold County implement a policy during contract bidding in federal programs that includes reviewing the vendors suspended or debarred status in accordance with federal guidelines. Additionally, the County should communicate with funding agencies to ensure that personnel understand the compliance requirements they are responsible for complying with.

Management Response: The County will establish a process to ensure that these procedures are performed and documented by each Department as part of the grant management process.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

2012-07

CFDA Number: 20.205

Program Name: Highway Planning and Construction Grant

Funding Agency: Department of Transportation

Compliance Requirement: Davis Bacon

Finding: Material weakness in internal control, material noncompliance, qualification

Criteria: The Davis-Bacon Act requires all laborers employed for construction work on Federal-aid highways to be paid wages at rates not less than those prevailing wages as determined by the secretary of Labor.

Condition: The County did not have procedures in place to monitor and ensure that wages paid by subcontractors were in compliance with Davis Bacon Requirements.

Questioned Costs: The amount of questioned costs could not be determined.

Cause: County personnel were not aware that Davis Bacon rules applied to the funding.

Effect: Improper wages could be paid to employees by subcontractors.

Recommendation: We recommend that Ringgold County design and implement procedures to identify all applicable compliance requirements and ensure compliance.

Management Response: The County will establish a process to ensure that these procedures are performed and documented by each Department as part of the grant management process.

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART IV - FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the Physical Health & Social Services, Capital Projects, and Debt Service functions. Disbursements in certain departments exceeded the amounts appropriated.

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

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

Response: We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion: Response accepted.

Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

Business Transactions - We noted no business transactions between the County and its officials or employees and related individuals.

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

RINGGOLD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

PART IV - FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, inter-fund transfers are not approved by the Board and evidenced in Board Minutes in accordance with Chapter 331.432 of the Code of Iowa.

Recommendation: All transfers between funds should be approved by the Board and documented in Board Minutes.

The Code of Iowa Chapter 331.432(4) states that transfers, including transfers from the debt service fund and transfers from the general or rural services fund to the secondary road fund are not effective until authorized by resolution of the board.

Response: The County will establish procedures to ensure that all items are documented in the minutes.

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

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).

Solid Waste Fees Retainage - During the year ended June 30, 2012, the County used or retained the solid waste fees in accordance with Chapter 455E.11(2),(11),(13) and (15) of the Code of Iowa.

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.

**RINGGOLD COUNTY
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

II-A-11 & III-A-11: LACK OF SEGREGATION OF DUTIES

This finding has not been resolved and a similar finding has been reported as 2012-01.

II-B-11 & III-B-11: PREPARATION OF FINANCIAL STATEMENTS

This finding has not been resolved and a similar finding has been reported as 2012-02.

II-C-11 & III-C-11: AUDIT ADJUSTMENTS

This finding has not been resolved and a similar finding has been reported as 2012-03.

III-D-11: FEDERAL AWARD REPORTING

This finding has not been resolved and a similar finding has been reported as 2012-04.

III-E-11: FEDERAL EXPENDITURE TRACKING

This finding has been resolved.

III-F-11: INTERNAL CONTROLS AND COMPLIANCE OVER DEBARMENT

This finding has not been resolved and a similar finding has been reported as 2012-05.

**RINGGOLD COUNTY
CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

RESPONSE TO FINDING 2012-01

The County Auditor will continue to look for ways to realign and reassign duties where practical.

RESPONSE TO FINDING 2012-02:

The County does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. As a result, Ringgold County will continue to rely on the independent auditor to identify disclosures required in the financial statements.

RESPONSE TO FINDING 2012-03:

The County Auditor will establish these procedures will result in potential financial statement misstatements being identified and corrected prior to audit.

RESPONSE TO FINDING 2012-04:

The County Auditor will create a binder to track federal awards. The County Auditor will develop open communication with other departments to know when expenditures are for federal awards.

RESPONSE TO FINDING 2012-05:

A policy will be created so that all suspension and debarment will be reviewed by each department applying for grant funds for applicable vendors.

RESPONSE TO FINDING 2012-06:

A policy will be created so that the Davis-Bacon Act procedures will be established by each Department applying for grant funds for applicable vendors.