

**ALLAMAKEE COUNTY  
WAUKON, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2013**

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ALLAMAKEE COUNTY

OFFICIALS  
JUNE 30, 2013

Name	Title	Term Expires
<b>Before November 2012 Election</b>		
Larry Schellhammer	Supervisor	January 2015
Lennie Burke	Supervisor	January 2013
Sherry Strub	Supervisor	January 2015
Pam Benjegerdes	County Auditor	January 2013
Lori Hesse	County Treasurer	January 2015
Deb Winke	County Recorder	January 2015
Tim Heiderscheid	County Sheriff	January 2013
Jill Kistler	County Attorney	January 2015
Ann Burckart	County Assessor	Appointed
<b>After November 2012 Election</b>		
Larry Schellhammer	Supervisor	January 2015
Dennis Koenig	Supervisor	January 2017
Sherry Strub	Supervisor	January 2015
Denise Beyer	County Auditor	January 2017
Lori Hesse	County Treasurer	January 2015
Deb Winke	County Recorder	January 2015
Clark Mellick	County Sheriff	January 2017
Jill Kistler	County Attorney	January 2015
Ann Burckart	County Assessor	Appointed

**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS**

To the Board of Supervisors  
Allamakee County  
Waukon, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 Allamakee County as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on pages 5 through 5e and pages 29 through 32 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee County's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of governmental funds' revenues and expenditures for 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of governmental funds' revenues and expenditures for 2013 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 basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Allamakee County as of and for the years ended June 30, 2009 through 2012, (none of which is presented herein). We expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the 2011 and 2012 fiscal years. We expressed a qualified opinion on the governmental activities for the 2010 fiscal year due to the omission of OPEB reporting and disclosures. We expressed unmodified opinion on each major fund and the aggregate remaining fund information for the 2010 fiscal year. We expressed a qualified opinion on the governmental activities and special revenue major fund-secondary roads for the 2009 fiscal year due to the scope limitation on valuation of inventory. We expressed unmodified opinion on each major fund, except special revenue fund-secondary roads, and the aggregate remaining fund information for the 2009 fiscal year. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise Allamakee County's basic financial statements as a whole. The schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2009 through 2012 presented on page 39 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2009 through 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2009 through 2012 presented on page 39 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The financial statements of Allamakee County for the years ended June 30, 2004 through 2008 (none of which are presented herein), were audited by other auditors whose report dated February 19, 2009, expressed an unmodified opinion on those financial statements. Their report, as of the same date, on the supplemental information for 2004 through 2008 presented on page 39 stated in their opinion, such information was fairly stated in all material respects in relation to the financial statements for which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of Allamakee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allamakee County's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 5, 2014

ALLAMAKEE COUNTY  
WAUKON, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Allamakee County provides this management's discussion and analysis of Allamakee County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3.48%, or approximately \$381,000, from fiscal 2012 to fiscal 2013. State tax credits decreased approximately \$409,000 and property taxes increased approximately \$361,000.
- Program expenses were 30.65%, or approximately \$3,428,000, less in fiscal 2013 than in fiscal 2012. Mental health expenses decreased approximately \$1,263,000 and roads and transportation expenses decreased approximately \$2,317,000.
- The County's net position increased 16.34%, or approximately \$3,580,000, from June 30, 2012 to June 30, 2013.

**USING THE BASIC FINANCIAL STATEMENTS**

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Allamakee County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of Allamakee County as a whole and present an overall view of the County's finances and a longer-term view of those 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 Allamakee County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Allamakee County, the general fund, mental health-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Allamakee County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

## REPORTING THE COUNTY AS A WHOLE

### *The Statement of Net Position and the Statement of Activities*

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 position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting 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 position presents all of the County's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, mental health-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund.

### *Governmental Funds*

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, and 3) 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

**REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)**

*Fiduciary Funds*

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for functions such as Emergency Management Services, the County Assessor, and E-911 Service Board.

The fiduciary funds required financial statements include a statement of fiduciary net position and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements for the governmental funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position.

Condensed Statement of Net Position (Expressed in Thousands)			
Governmental Activities			
	2013	2012	Percent Change
Current and other assets	\$ 12,359	\$ 12,003	2.97%
Capital assets	19,477	16,043	21.40%
<b>Total assets</b>	<b>31,836</b>	<b>28,046</b>	<b>13.51%</b>
Long-term debt outstanding	261	226	15.49%
Other liabilities	6,095	5,919	2.97%
<b>Total liabilities</b>	<b>6,356</b>	<b>6,145</b>	<b>3.43%</b>
<b>Net position</b>			
Invested in capital assets	19,477	16,043	21.40%
Restricted	3,762	3,743	0.51%
Unrestricted	2,241	2,115	5.96%
<b>Total net position</b>	<b>\$ 25,480</b>	<b>\$ 21,901</b>	<b>16.34%</b>

Allamakee County's net position for the governmental activities increased from fiscal 2012 to fiscal 2013. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased for the governmental activities approximately \$126,000 or 5.96%.

The increase in net position for the governmental activities is due to a decrease in mental health and roads and transportation expenses along with increases in operating grants and property tax revenue.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following analysis shows the change in net position for the years ending June 30, 2013 and 2012:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2013	2012	Percent Change
<b>Revenues:</b>			
Program revenue			
Charges for service	\$ 436	\$ 380	14.74%
Operating grants	4,014	3,669	9.40%
General revenue			
Property taxes	5,988	5,627	6.42%
Local option sales tax	285	285	0.00%
Penalty and interest on property taxes	143	125	14.40%
State tax credits	240	649	-63.02%
Rents	83	92	-9.78%
Unrestricted investment earnings	64	85	-24.71%
Other	81	41	-97.56%
Total revenues	11,334	10,953	3.48%
<b>Program expenses:</b>			
Public safety and legal services	1,550	1,566	-1.02%
Physical health and social services	651	611	6.55%
Mental health	843	2,106	-59.97%
County environment and education	911	845	7.81%
Roads and transportation	2,406	4,723	-49.06%
Government services to residents	427	411	3.89%
Administration or general government	940	874	7.55%
Non-program	27	47	-42.55%
Total expenses	7,755	11,183	-30.65%
Increase (decrease) in net position	3,579	(230)	1656.09%
Net position beginning of year	21,901	22,131	-1.04%
Net position end of year	\$ 25,480	\$ 21,901	16.34%

**INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$5,446,877, approximately \$135,000 decrease of the 2012 fiscal year end balance of \$5,582,159.

- The general fund revenues increased 21.94% from prior year, and the expenditures increased by 13.08% from the prior year. The ending fund balance showed an increase of 12.66% from the prior year of \$2,085,023 to \$2,349,115.
- During the fiscal year the County entered into a 28E agreement with 20 other counties to provide mental health services at a regional level, which significantly reduced the mental health-special revenue fund's intergovernmental revenues and mental health expenditures. For the year, expenditures totaled approximately \$611,882, a decrease of 70.93% from the prior year. The mental health fund balance at year end increased by \$230,407 over the prior year.

**INDIVIDUAL MAJOR FUND ANALYSIS (Continued)**

- Secondary roads fund revenues decreased approximately \$171,000 over the prior year. For the year, expenditures totaled \$5,298,173, an increase of \$356,996. The secondary roads fund ending fund balance decreased approximately \$719,778 after \$1.4 million in transfers from the general fund and rural services–special revenue fund.
- The ending fund balance for the rural service fund increased by \$57,720 or 10.64% over prior year. The increase is primarily due to an increase in property tax revenue of 7.35%.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2013 and resulted in an increase in public safety and legal services, physical health and social services, government services to residents, administration and a decrease in mental health, county environment and education services, non-program and capital project disbursements. However, this did not require an increase in taxes as the County received more revenue from charges for service and miscellaneous receipts than originally projected.

The amendment made during the 2013 fiscal year should have no impact on the 2014 fiscal year’s budget.

The following chart shows the original and amended budget for fiscal 2013 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
<b>REVENUES</b>				
Property and other County tax	\$ 6,253	\$ 6,238	\$ 6,238	\$ 15
Interest and penalty on property tax	59		15	44
Intergovernmental	3,853	10,102	4,992	(1,139)
Licenses and permits	24	19	19	5
Charges for service	386	303	314	72
Use of money and property	177	167	167	10
Miscellaneous	89	304	35	54
<b>Total revenues</b>	<b>\$ 10,841</b>	<b>\$ 17,133</b>	<b>\$ 11,780</b>	<b>\$ (939)</b>
<b>EXPENDITURES</b>				
Public safety and legal services	\$ 1,595	\$ 1,634	\$ 1,703	\$ 108
Physical health and social services	653	718	718	65
Mental health	1,209	2,244	1,463	254
County environment and education services	871	1,505	1,027	156
Roads and transportation	4,678	5,177	5,177	499
Governmental services to residents	418	436	443	25
Administrative services	898	920	941	43
Non-program	26	324	206	180
Capital project	1,067	6,177	1,390	323
<b>Total expenditures</b>	<b>\$ 11,415</b>	<b>\$ 19,135</b>	<b>\$ 13,068</b>	<b>\$ 1,653</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2013, Allamakee County had \$19,477,411 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$1,090,903 for fiscal year 2013 and total accumulated depreciation of \$9,509,857 as of June 30, 2013 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### *Debt*

At year-end, the County had approximately \$221,459 of accrued compensated absences compared to approximately \$197,785 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County has no outstanding general obligation debt subject to this \$62,303,513 limit.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Allamakee County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and the fee that will be charged for various County activities. One of those factors is the economy.

The County's local option sales taxes received continue to be a significant portion of County revenues and account, in part, for property tax levy rates lower than would otherwise be possible.

Allamakee County's delinquent property taxes continue to increase each year primarily due to penalties and interest accruing on the unpaid property taxes of one significant taxpayer of the County; but current local taxpayers are paying their property taxes in a timely manner.

Amounts available for appropriation in the operating budget are \$20,665,290, a decrease of 0.67% over the final 2013 budget of \$20,804,570.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Allamakee County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Allamakee County, 110 Allamakee Street, Waukon, IA 52172.

ALLAMAKEE COUNTY  
STATEMENT OF NET POSITION  
June 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Cash and pooled investments	\$ 4,767,266
Receivables	
Property tax	
Delinquent	425,626
Succeeding year	5,552,649
Accounts	64,759
Accrued interest	4,617
Notes receivable	108,627
Due from other governments	784,938
Inventories	598,894
Prepaid expenses	23,995
Notes receivable	27,310
Nondepreciable assets	890,097
Capital assets, net of accumulated depreciation/depletion	18,587,314
Total assets	\$ 31,836,092
<b>LIABILITIES AND NET POSITION</b>	
Accounts payable	\$ 441,038
Salaries and benefits payable	99,260
Due to other governments	1,666
Deferred revenue	
Succeeding year property tax	5,552,649
Long-term liabilities	
Portion due within one year	
Compensated absences	221,459
Portion due after one year	
Net OPEB obligation	39,757
Total liabilities	6,355,829
<b>NET POSITION</b>	
Invested in capital assets	19,477,411
Restricted for	
Mental health	416,424
Rural service	602,067
Secondary roads	2,037,217
Other special revenue	545,874
Capital projects	50,189
Other purposes	110,130
Unrestricted	2,240,951
Total net position	25,480,263
Total liabilities and net position	\$ 31,836,092

See Notes to Financial Statements.

ALLAMAKEE COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>Governmental activities</b>					
Public safety and legal services	\$ 1,550,478	\$ 32,549	\$ 15,389		\$ (1,502,540)
Physical health and social services	651,459	25,016	541,068		(85,375)
Mental health	842,662	8,588	37,659		(796,415)
County environment and education	911,040	46,804	41,182		(823,054)
Roads and transportation	2,405,963	3,540	3,356,478		954,055
Government services to residents	426,618	306,882			(119,736)
Administration or general government	940,340	12,129	22,471		(905,740)
Non-program	26,657				(26,657)
<b>Total governmental activities</b>	<b>\$ 7,755,217</b>	<b>\$ 435,508</b>	<b>\$ 4,014,247</b>	<b>\$ -</b>	<b>(3,305,462)</b>
<b>General revenues</b>					
Property taxes levied for					
General purposes					5,988,330
Local option sales tax					284,990
Penalty and interest on property taxes					143,156
State tax credits					240,115
Franchise tax					1,470
Rents					83,492
Unrestricted investment earnings					64,297
Loss on sale of capital assets					(143,264)
Miscellaneous					222,438
<b>Total general revenues</b>					<b>6,885,024</b>
<b>Change in net position</b>					<b>3,579,562</b>
<b>Net position, beginning of year</b>					<b>21,900,701</b>
<b>Net position, end of year</b>					<b>\$ 25,480,263</b>

See Notes to Financial Statements.

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ALLAMAKEE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,187,965	\$ 336,181	\$ 588,796	\$ 1,207,231
Receivables				
Property tax				
Delinquent	410,322	13,099	2,205	
Succeeding year	3,386,563	589,728	1,576,358	
Accounts	64,124	285		
Accrued interest	4,508			
Notes receivable				
Due from other funds	1,308	58,176		
Due from other governments	75,250	10,068	24,386	651,685
Prepaid expenditures	23,743		252	
Inventories	22,252			576,642
<b>Total assets</b>	<b>\$ 6,176,035</b>	<b>\$ 1,007,537</b>	<b>\$ 2,191,997</b>	<b>\$ 2,435,558</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 99,512	\$ 77	\$ 11,976	\$ 321,759
Salaries and benefits payable	19,739		1,344	75,374
Due to other funds	58,176	1,308		
Due to other governments				1,208
Deferred revenue				
Succeeding year property tax	3,386,563	589,728	1,576,358	
Other	262,930	968	2,096	399,311
<b>Total liabilities</b>	<b>3,826,920</b>	<b>592,081</b>	<b>1,591,774</b>	<b>797,652</b>
<b>Fund balances</b>				
<b>Nonspendable</b>				
Inventories	22,252			576,642
Prepaid expenditures	23,743		252	
<b>Restricted for</b>				
Mental health purposes		415,456		
Rural services purposes			599,971	
Secondary roads purposes				1,061,264
Other special revenue purposes				
Capital projects				
Other purposes	63,883			
Unassigned	2,239,237			
<b>Total fund balances</b>	<b>2,349,115</b>	<b>415,456</b>	<b>600,223</b>	<b>1,637,906</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,176,035</b>	<b>\$ 1,007,537</b>	<b>\$ 2,191,997</b>	<b>\$ 2,435,558</b>

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 447,093	\$ 4,767,266
	425,626
	5,552,649
350	64,759
109	4,617
135,937	135,937
	59,484
23,549	784,938
	23,995
	598,894
<u>\$ 607,038</u>	<u>\$ 12,418,165</u>
\$ 7,714	\$ 441,038
2,803	99,260
	59,484
458	1,666
	5,552,649
151,886	817,191
<u>162,861</u>	<u>6,971,288</u>
	598,894
	23,995
	415,456
	599,971
	1,061,264
409,937	409,937
34,240	34,240
	63,883
	2,239,237
<u>444,177</u>	<u>5,446,877</u>
<u>\$ 607,038</u>	<u>\$ 12,418,165</u>

ALLAMAKEE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

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Reconciliation of governmental fund balances to net position	
Total governmental fund balances	\$ 5,446,877
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$9,509,857	19,477,411
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	817,191
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Compensated absences	(221,459)
Net OPEB obligation	(39,757)
Net position of governmental activities	<u>\$ 25,480,263</u>

See Notes to Financial Statements.

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ALLAMAKEE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>REVENUES</b>				
Property and other County tax	\$ 3,616,174	\$ 771,100	\$ 1,659,757	
Local option sales tax			149,280	\$ 135,710
Interest and penalty on property tax	143,156			
Intergovernmental	683,148	68,272	68,232	2,957,167
Licenses and permits	20,964			3,540
Charges for service	362,822		20,460	720
Use of money and property	136,209			11,580
Miscellaneous	174,149	2,917		11,315
<b>Total revenues</b>	<b>5,136,622</b>	<b>842,289</b>	<b>1,897,729</b>	<b>3,120,032</b>
<b>EXPENDITURES</b>				
Current				
Public safety and legal services	1,555,707		40,187	
Physical health and social services	700,477			
Mental health	224,310	611,882		
County environment and education services	438,729		391,646	
Roads and transportation	474,052		62,601	4,298,173
Governmental services to residents	418,079			
Administrative services	928,163			
Non-program	26,657			
Capital project				1,000,000
<b>Total expenditures</b>	<b>4,766,174</b>	<b>611,882</b>	<b>494,434</b>	<b>5,298,173</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>370,448</b>	<b>230,407</b>	<b>1,403,295</b>	<b>(2,178,141)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,050			1,458,363
Proceeds from disposal of capital assets	4,432		2,000	
Transfers out	(119,838)		(1,347,575)	
	(106,356)	-	(1,345,575)	1,458,363
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>264,092</b>	<b>230,407</b>	<b>57,720</b>	<b>(719,778)</b>
<b>FUND BALANCES, beginning of year</b>	<b>2,085,023</b>	<b>185,049</b>	<b>542,503</b>	<b>2,357,684</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 2,349,115</b>	<b>\$ 415,456</b>	<b>\$ 600,223</b>	<b>\$ 1,637,906</b>

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
	\$ 6,047,031
	284,990
	143,156
\$ 118,348	3,895,167
	24,504
3,304	387,306
26,567	174,356
17,266	205,647
<u>165,485</u>	<u>11,162,157</u>
	1,595,894
15,977	716,454
	836,192
42,288	872,663
	4,834,826
101	418,180
	928,163
	26,657
74,842	1,074,842
<u>133,208</u>	<u>11,303,871</u>
<u>32,277</u>	<u>(141,714)</u>
	1,467,413
	6,432
	<u>(1,467,413)</u>
<u>-</u>	<u>6,432</u>
32,277	(135,282)
<u>411,900</u>	<u>5,582,159</u>
<u>\$ 444,177</u>	<u>\$ 5,446,877</u>

ALLAMAKEE COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	(135,282)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Depreciation	\$ (1,090,903)	
Capital outlays	<u>4,674,724</u>	3,583,821
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax	(58,701)	
Other	<u>374,587</u>	315,886
The net effect of disposal of capital assets		(149,696)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Compensated absences	(23,674)	
Net OPEB obligation	<u>(11,493)</u>	(35,167)
Change in net position of governmental activities	\$	<u><u>3,579,562</u></u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
June 30, 2013

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<b>ASSETS</b>	
Cash and pooled investments	
County Treasurer	\$ 1,715,147
Other County officials	44,856
Receivables	
Property tax	
Delinquent	421,455
Succeeding year	11,648,960
Accounts	2,044
Due from other governments	149,586
	13,982,048
Total assets	13,982,048
<b>LIABILITIES</b>	
Accounts payable	91,273
Due to other governments	13,783,698
Deferred revenue	85,294
Trusts payable	10,185
Compensated absences	11,598
	13,982,048
Total liabilities	13,982,048
<b>NET POSITION</b>	<b>\$ None</b>

See Notes to Financial Statements.

ALLAMAKEE COUNTY

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Allamakee 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.

b. Significant Accounting Policies

*Scope of Reporting Entity*

For financial reporting purposes, Allamakee County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

*Jointly Governed Organizations*

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission and Allamakee County Joint E-911 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 agency funds of the County.

*Government-wide Financial Statements*

The statement of net position (previously referred to as net assets) and the statement of activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax and intergovernmental revenues and other non-exchange transactions.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Government-wide Financial Statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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.

The statement of net position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted net position* result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

*Fund Financial Statements*

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

The major funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration of public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

*Special Revenue Funds*

The special revenue funds are used to account for revenues derived from specific sources which are restricted or committed for expenditure for specified purposes other than debt service or capital projects. The major funds in this category are rural services, secondary roads, and mental health.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Fund Financial Statements (Continued)*

*Governmental (Continued)*

*Special Revenue Funds (Continued)*

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

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

The secondary roads fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the general and the special revenue, rural services funds and other revenues to be used for secondary road construction and maintenance.

*Fiduciary Fund Types*

*Agency Funds*

The 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. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

*Measurement Focus*

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the "economic resources" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statement of net position. In reporting the financial activity on the governmental activities statements, the County applies all applicable GASB pronouncements.

In the fund financial statements, the "current financial resources" measurement focus is used. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

The government-wide funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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 balance.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

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

*Assets, Liabilities and Fund Equity*

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

*Cash Management, Cash Equivalents, and Investments*

The County Treasurer maintains one primary demand deposit account through which the majority of the County's cash resources are processed.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Property Tax Receivable*

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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. The delinquent property taxes include a large portion from a business that went bankrupt.

*Notes Receivable*

Notes receivable represent economic development loans from the County's revolving loan special revenue fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to three years. Interest rates on these notes receivables range from 1.3% to 3.0%. The balance of the loans receivable at June 30, 2013 was \$135,937.

*Interfund Transactions*

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide 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 in the special revenue funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

*Prepaid Expenditures*

Payments made for insurance for a future period beyond June 30, 2013 are recorded as prepaid insurance.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Capital Assets*

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported in the governmental activities column of the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. 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. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

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

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

Buildings and improvements	20-50
Land improvements	20-50
Equipment	2-20
Vehicles	3-10
Infrastructure, road network	30-65

*Due to Other Governments*

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

*Trusts Payable*

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

*Deferred Revenue*

In the fund financial statements certain revenues are measurable, however they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Compensated Absences*

County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absence liability attributable to the governmental activities will be paid primarily by the general fund, mental health, rural services and secondary roads special revenue funds. The County's approximate maximum liability for accrued vacation pay at June 30, 2013 is \$221,459.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains age sixty-five.

*Fund Balance*

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

- *Nonspendable fund balances* are 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 fund balances* are 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 imposed by law through constitutional provisions or enabling legislation.
- *Assigned fund balances* are amounts the Board of Supervisors intend to use for specific purposes.
- *Unassigned fund balances* are the remaining fund balance which is not included in other spendable classifications.

*Net Position*

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Net Position (Continued)*

Unrestricted net position represents the difference between assets and liabilities that are not restricted and can be used for future obligations of the County.

*Budgets and Budgetary Accounting*

The budgetary comparison and related disclosures are reported as required supplementary information.

*Revenues, Expenditures and Expenses*

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

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

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

*Management Estimates*

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

2. Deposits and Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

NOTES TO FINANCIAL STATEMENTS

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2. Deposits and Investments (Continued)

*Interest Rate Risk*

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2013:

Governmental	
General fund, other	\$ 75,250
Mental Health	
Other	10,068
Rural service fund	
Local option sales tax	24,386
Secondary roads fund	
Road use tax	230,204
Local option sales tax	22,170
FEMA reimbursement	399,311
	<u>651,685</u>
Nonmajor	<u>23,549</u>
Total governmental	<u>\$ 784,938</u>

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NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities</b>				
Land	\$ 890,097	\$ None	\$ None	\$ 890,097
<b>Capital assets being depreciated</b>				
Buildings and improvements	1,883,544	24,308		1,907,852
Equipment	3,539,198	542,794	618,987	3,463,005
Vehicles	2,365,627	116,567	65,984	2,416,210
Infrastructure	16,319,049	3,991,055		20,310,104
<b>Total capital assets being depreciated</b>	<b>24,107,418</b>	<b>4,674,724</b>	<b>684,971</b>	<b>28,097,171</b>
<b>Less accumulated depreciation</b>				
Buildings and improvements	1,099,343	37,623		1,136,966
Equipment	2,134,634	256,909	491,643	1,899,900
Vehicles	1,924,293	97,580	43,632	1,978,241
Infrastructure	3,795,959	698,791		4,494,750
<b>Total accumulated depreciation</b>	<b>8,954,229</b>	<b>1,090,903</b>	<b>535,275</b>	<b>9,509,857</b>
<b>Total capital assets being depreciated, net</b>	<b>15,153,189</b>	<b>3,583,821</b>	<b>149,696</b>	<b>18,587,314</b>
<b>Governmental activities</b>				
Capital assets, net	<b>\$ 16,043,286</b>	<b>\$ 3,583,821</b>	<b>\$ 149,696</b>	<b>\$ 19,477,411</b>

For the year ended June 30, 2013, depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities</b>	
Public safety and legal services	\$ 39,610
Physical health and social services	1,949
Mental health	2,929
County environment and education	27,670
Roads and transportation	1,007,859
Governmental services to residents	1,938
Administrative services	8,948
	<u>\$ 1,090,903</u>

NOTES TO FINANCIAL STATEMENTS

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5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments as of June 30, 2013 is as follows:

Governmental			
Special revenue funds			
Secondary roads	\$	1,208	
Nonmajor		458	
		1,666	
Total governmental	\$	1,666	
Fiduciary			
Agency			
County Assessor	Collections	\$	738,476
Schools			7,409,000
Area schools			584,453
Corporations			3,654,622
Auto license and use tax			314,755
Other			1,082,392
Total agency funds	\$	13,783,698	

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78%, 5.38%, and 4.50% of their annual covered salary and the County is required to contribute 8.67%, 8.07%, and 6.95% of covered salary for the years ended June 30, 2013, 2012, and 2011 respectively. 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, 2013, 2012, and 2011 were \$320,987, \$291,302, and \$251,334, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2013 amount to \$1,991,970 and commitments to be reimbursed is \$670,009.

The County entered into a 28E Agreement with Winneshiek County to share the cost of Winneshiek County's CPC personnel. Each county will pay fifty percent of wages and benefits. The agreement shall remain in full force and effect until such time as the Board of Supervisors for one of the participating counties passes a resolution withdrawing from the agreement and provides at least sixty days notice before the withdrawal is effective.

NOTES TO FINANCIAL STATEMENTS

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8. Leases

As of June 30, 2013, the County is renting various county owned properties to other parties under operating leases. The leases vary in term but are typically short-term in nature.

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Issued	(Paid)	Balance June 30, 2013	Amounts Due Within One Year
<b>Other liabilities</b>					
Compensated absences	\$ 197,785	\$ 221,459	\$ (197,785)	\$ 221,459	\$ 221,459
<b>Governmental activities</b>					
Long-term liabilities	\$ 197,785	\$ 221,459	\$ (197,785)	\$ 221,459	\$ 221,459

At June 30, 2013, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 1,246,070,268
Debt limit – 5% of total assessed valuation	\$ 62,303,513
Legal debt margin	\$ 62,303,513

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NOTES TO FINANCIAL STATEMENTS

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In	Transfers Out
<b>General fund</b>		
Secondary roads		\$ 110,788
Nonmajor governmental	\$ 9,050	9,050
	9,050	119,838
<b>Special revenue</b>		
Rural services		1,347,575
Secondary roads	1,458,363	
	1,458,363	1,347,575
<b>Total</b>	<b>\$ 1,467,413</b>	<b>\$ 1,467,413</b>

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

11. Due to/from Other Funds

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,308	\$ 58,176
Mental health, special revenue	58,176	1,308
<b>Total</b>	<b>\$ 59,484</b>	<b>\$ 59,484</b>

12. Other Postemployment Benefits (OPEB)

*Plan Description*

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 101 active, 7 retired and 4 COBRA members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

*Funding Policy*

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

NOTES TO FINANCIAL STATEMENTS

12. Other Postemployment Benefits (OPEB) (Continued)

*Annual OPEB Cost and Net OPEB Obligation*

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	27,123
Interest on net OPEB obligation		590
Adjustment to annual required contribution		(564)
 Annual OPEB cost		 27,149
Contributions made		(15,656)
 Increase in net OPEB obligation		 11,493
Net OPEB obligation beginning of year		28,264
 Net OPEB obligation end of year	\$	39,757

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$15,656 to the medical plan. Plan members eligible for benefits contributed \$83,972, or 42% of the premium costs.

The County's annual OPEB cost, the percent of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 27,123	46%	\$ 14,738
June 30, 2012	\$ 27,149	50%	\$ 28,264
June 30, 2013	\$ 27,149	58%	\$ 39,757

*Funded Status and Funding Progress*

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$244,684, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$244,684. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,539,351 and the ratio of the UAAL to covered payroll was 6.9%. As of June 30, 2013, there were no trust fund assets.

12. Other Postemployment Benefits (OPEB) (Continued)

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2010, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching 5% ultimate trend rate.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2012 using Scale AA.

13. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2013 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the County.

14. Risk Management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2013, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15. New Governmental Accounting Standards Board (GASB) Standards

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

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

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

16. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3*; No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

17. Transfer of Makee Manor Assets to County

The County previously leased facilities, grounds and other buildings to Makee Manor. As of May 31, 2013, Makee Manor ceased operations and in accordance with its governing documents a majority of the assets were transferred to the County, including cash, inventory and capital assets. The transfer of these assets has been reflected in the financial statements of the County as of June 30, 2013.

18. Subsequent Events

In July 2013 the County entered into a settlement agreement with SHF Holdings, LLC to receive payment on delinquent real estate taxes, penalties and costs owed on certain parcels of real estate located in the County, in the amount of \$604,721.

Management has evaluated subsequent events through February 5, 2014, the date on which the financial statements were available to be issued.

**Required Supplementary Information**

ALLAMAKEE COUNTY  
 BUDGETARY COMPARISON SCHEDULE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 June 30, 2013

	Actual	Less Amounts not Budgeted	Budget Basis
<b>RECEIPTS</b>			
Property and other County tax	\$ 6,253,251		\$ 6,253,251
Interest and penalty on property tax	58,938		58,938
Intergovernmental	3,853,182		3,853,182
Licenses and permits	24,104		24,104
Charges for service	385,929		385,929
Use of money and property	176,549	\$ 4	176,545
Miscellaneous	89,107		89,107
<b>Total receipts</b>	<b>10,841,060</b>	<b>4</b>	<b>10,841,056</b>
<b>DISBURSEMENTS</b>			
Public safety and legal services	1,594,965		1,594,965
Physical health and social services	652,249		652,249
Mental health	1,209,344		1,209,344
County environment and education services	870,293		870,293
Roads and transportation	4,678,034		4,678,034
Governmental services to residents	418,072		418,072
Administrative services	898,243		898,243
Non-program	26,381		26,381
Capital project	1,067,236		1,067,236
<b>Total disbursements</b>	<b>11,414,817</b>	<b>-</b>	<b>11,414,817</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(573,757)</b>	<b>4</b>	<b>(573,761)</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>6,432</b>		<b>6,432</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>(567,325)</b>	<b>4</b>	<b>(567,329)</b>
<b>BALANCE, beginning of year</b>	<b>5,334,591</b>		<b>5,334,591</b>
<b>BALANCE, end of year</b>	<b>\$ 4,767,266</b>	<b>\$ 4</b>	<b>\$ 4,767,262</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 6,237,389	\$ 6,237,389	\$ 15,862
	15,200	43,738
10,102,373	4,991,618	(1,138,436)
19,179	19,179	4,925
303,115	314,415	71,514
166,701	166,701	9,844
304,335	35,266	53,841
17,133,092	11,779,768	(938,712)
1,634,209	1,702,841	107,876
717,659	717,679	65,430
2,244,472	1,463,307	253,963
1,504,650	1,026,808	156,515
5,176,997	5,176,997	498,963
436,130	443,542	25,470
919,964	940,753	42,510
323,700	205,700	179,319
6,177,495	1,390,000	322,764
19,135,276	13,067,627	1,652,810
(2,002,184)	(1,287,859)	714,098
5,500	5,500	932
(1,996,684)	(1,282,359)	715,030
4,438,246	4,438,246	896,345
\$ 2,441,562	\$ 3,155,887	\$ 1,611,375

ALLAMAKEE COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET TO GAAP RECONCILIATION  
 For the Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,841,060	\$ 321,097	\$ 11,162,157
Expenditures	11,414,817	(110,946)	11,303,871
Net	(573,757)	432,043	(141,714)
Other financing sources, net	6,432		6,432
Beginning fund balance	5,334,591	247,568	5,582,159
Ending fund balance	\$ 4,767,266	\$ 679,611	\$ 5,446,877

See Notes to Required Supplementary Information.

ALLAMAKEE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

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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 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 10 major classes of expenditures known as functions, not by fund or fund type. These 10 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, special revenue funds, capital projects fund and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$6,067,649. The budget amendment is 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 E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

Included in the amounts not budgeted is the forfeiture account used by the Sheriff's department.

ALLAMAKEE COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,335	7.3%
2012	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,388	7.2%
2013	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,539	6.9%

See Note 12 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

ALLAMAKEE COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 405,247	\$ 41,846	\$ 447,093
Receivables			
Accounts	350		350
Accrued interest	109		109
Notes receivable	135,937		135,937
Due from other governments	7,600	15,949	23,549
	<u>549,243</u>	<u>57,795</u>	<u>607,038</u>
Total assets	\$ 549,243	\$ 57,795	\$ 607,038
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 108	\$ 7,606	\$ 7,714
Salaries and benefits payable	2,803		2,803
Due to other governments	458		458
Deferred revenue			
Other	135,937	15,949	151,886
	<u>139,306</u>	<u>23,555</u>	<u>162,861</u>
Total liabilities	139,306	23,555	162,861
<b>Fund balances</b>			
<b>Restricted for:</b>			
Other special revenue funds	409,937		409,937
Capital projects		34,240	34,240
	<u>409,937</u>	<u>34,240</u>	<u>444,177</u>
Total fund balances	409,937	34,240	444,177
	<u>\$ 549,243</u>	<u>\$ 57,795</u>	<u>\$ 607,038</u>
Total liabilities and fund balances	\$ 549,243	\$ 57,795	\$ 607,038

See Independent Auditor's Report.

ALLAMAKEE COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2013

	Special Revenue	Capital Projects	Nonmajor Governmental Funds
<b>REVENUES</b>			
Intergovernmental	\$ 44,864	\$ 73,484	\$ 118,348
Charges for service	3,304		3,304
Use of money and property	26,567		26,567
Miscellaneous	17,266		17,266
Total revenues	<u>92,001</u>	<u>73,484</u>	<u>165,485</u>
<b>EXPENDITURES</b>			
Operating			
Physical health and social services	15,977		15,977
County environment and education services	42,288		42,288
Governmental services to residents	101		101
Capital projects		74,842	74,842
Total expenditures	<u>58,366</u>	<u>74,842</u>	<u>133,208</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>33,635</u>	<u>(1,358)</u>	<u>32,277</u>
<b>FUND BALANCES, beginning of year</b>	<u>376,302</u>	<u>35,598</u>	<u>411,900</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 409,937</u>	<u>\$ 34,240</u>	<u>\$ 444,177</u>

See Independent Auditor's Report.

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ALLAMAKEE COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2013

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
<b>ASSETS</b>				
Cash and pooled investments	\$ 68,589	\$ 13,508	\$ 188,599	\$ 31,226
Receivables				
Accounts		250		
Accrued interest			109	
Notes receivable				
Due from other governments	7,600			
<b>Total assets</b>	<b>\$ 76,189</b>	<b>\$ 13,758</b>	<b>\$ 188,708</b>	<b>\$ 31,226</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 108			
Salaries and benefits payable	2,803			
Due to other governments	458			
Deferred revenue				
<b>Total liabilities</b>	<b>3,369</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>				
Restricted	72,820	13,758	188,708	31,226
<b>Total fund balances</b>	<b>72,820</b>	<b>13,758</b>	<b>188,708</b>	<b>31,226</b>
<b>Total liabilities and fund balances</b>	<b>\$ 76,189</b>	<b>\$ 13,758</b>	<b>\$ 188,708</b>	<b>\$ 31,226</b>

See Independent Auditor's Report.

SCHEDULE 3

Revolving Loan Fund	Historic Preservation Fund	Total Nonmajor Special Revenue Funds
\$ 91,490	\$ 11,835	\$ 405,247
100		350
135,937		109
		135,937
		7,600
<u>\$ 227,527</u>	<u>\$ 11,835</u>	<u>\$ 549,243</u>
		\$ 108
		2,803
		458
<u>\$ 135,937</u>		<u>135,937</u>
<u>135,937</u>	<u>\$ -</u>	<u>139,306</u>
<u>91,590</u>	<u>11,835</u>	<u>409,937</u>
<u>91,590</u>	<u>11,835</u>	<u>409,937</u>
<u>\$ 227,527</u>	<u>\$ 11,835</u>	<u>\$ 549,243</u>

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ALLAMAKEE COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2013

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
<b>REVENUES</b>				
Intergovernmental	\$ 22,976		\$ 10,370	
Charges for service		\$ 3,304		
Use of money and property		9	1,570	
Miscellaneous				\$ 17,266
<b>Total revenues</b>	<b>22,976</b>	<b>3,313</b>	<b>11,940</b>	<b>17,266</b>
<b>EXPENDITURES</b>				
Operating				
Physical health and social services	15,977			
County environment and education services				3,560
Governmental services to residents		101		
<b>Total expenditures</b>	<b>15,977</b>	<b>101</b>	<b>-</b>	<b>3,560</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,999</b>	<b>3,212</b>	<b>11,940</b>	<b>13,706</b>
<b>FUND BALANCES, beginning of year</b>	<b>65,821</b>	<b>10,546</b>	<b>176,768</b>	<b>17,520</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 72,820</b>	<b>\$ 13,758</b>	<b>\$ 188,708</b>	<b>\$ 31,226</b>

See Independent Auditor's Report.

SCHEDULE 4

Revolving Loan Fund	Historic Preservation Fund	Total Nonmajor Special Revenue Funds
	\$ 11,518	\$ 44,864
		3,304
\$ 24,988		26,567
		17,266
<u>24,988</u>	<u>11,518</u>	<u>92,001</u>
		15,977
38,683	45	42,288
		101
<u>38,683</u>	<u>45</u>	<u>58,366</u>
<u>(13,695)</u>	<u>11,473</u>	<u>33,635</u>
<u>105,285</u>	<u>362</u>	<u>376,302</u>
<u>\$ 91,590</u>	<u>\$ 11,835</u>	<u>\$ 409,937</u>

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ALLAMAKEE COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2013

	County Offices	Agricultural Extension Education	Assessor	Schools
<b>ASSETS</b>				
Cash and pooled investments				
County Treasurer		\$ 2,614	\$ 451,677	\$ 122,204
Other County officials	\$ 44,856			
Receivables				
Property tax				
Delinquent		3,765	6,987	198,731
Succeeding year		169,524	314,578	7,088,065
Accounts	1,794			
Due from other governments				
Total assets	<u>\$ 46,650</u>	<u>\$ 175,903</u>	<u>\$ 773,242</u>	<u>\$ 7,409,000</u>
<b>LIABILITIES</b>				
Accounts payable			\$ 25,613	
Due to other governments	\$ 46,600	\$ 175,903	738,476	\$ 7,409,000
Deferred revenue				
Trusts payable	50			
Accrued compensated absences			9,153	
Total liabilities	<u>\$ 46,650</u>	<u>\$ 175,903</u>	<u>\$ 773,242</u>	<u>\$ 7,409,000</u>

See Independent Auditor's Report.

Area Schools	Corporations	Townships	Auto License and Use Tax	E-911 Surcharge	Other	Total
\$ 9,144	\$ 54,791	\$ 20,006	\$ 314,755	\$ 631,087	\$ 108,869	\$ 1,715,147 44,856
12,300	199,468	159			45	421,455
563,009	3,400,363	111,401			2,020	11,648,960
		36,580		27,712	250	2,044
					85,294	149,586
<u>\$ 584,453</u>	<u>\$ 3,654,622</u>	<u>\$ 168,146</u>	<u>\$ 314,755</u>	<u>\$ 658,799</u>	<u>\$ 196,478</u>	<u>\$ 13,982,048</u>
\$ 584,453	\$ 3,654,622	\$ 168,146	\$ 314,755	\$ 658,799	\$ 65,660	\$ 91,273
					32,944	13,783,698
					85,294	85,294
					10,135	10,185
					2,445	11,598
<u>\$ 584,453</u>	<u>\$ 3,654,622</u>	<u>\$ 168,146</u>	<u>\$ 314,755</u>	<u>\$ 658,799</u>	<u>\$ 196,478</u>	<u>\$ 13,982,048</u>

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ALLAMAKEE COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
BALANCE, beginning of year	\$ 40,236	\$ 171,329	\$ 508,486	\$ 7,903,757
<b>ADDITIONS</b>				
Property and other County tax		192,800	361,521	8,135,962
State tax credits		7,548	15,460	346,867
Office fees and collections	410,684		4,746	
Auto license, use tax and postage				
E-911 telephone surcharges				
Miscellaneous Assessments	1,060	137	201,452	6,084
Trusts	120,995			
Total additions	532,739	200,485	583,179	8,488,913
<b>DEDUCTIONS</b>				
Agency remittances				
To other funds	147,762			
To other governments	256,757	195,911		8,983,670
Trusts paid out	120,746			
Miscellaneous	1,060		318,423	
Total deductions	526,325	195,911	318,423	8,983,670
BALANCE, end of year	\$ 46,650	\$ 175,903	\$ 773,242	\$ 7,409,000

See Independent Auditor's Report.

Area Schools	Corporations	Townships	Auto License and Use Tax	E-911 Surcharge	Other	Total
\$ 605,619	\$ 3,732,987	\$ 170,586	\$ 316,878	\$ 523,174	\$ 360,130	\$ 14,333,182
641,735	3,432,753	372,565			2,288	13,139,624
26,412	131,957	4,890			87	533,221
			3,819,813		3,304	418,734
				287,732		3,819,813
475		234	19,355	7,432	480,679	287,732
					65,942	716,908
						65,942
						120,995
668,622	3,564,710	377,689	3,839,168	295,164	552,300	19,102,969
689,788	3,643,075	380,129	126,092 3,715,199	159,539	201,171 314,019	475,025 18,338,087
					27,160	147,906
					173,602	493,085
689,788	3,643,075	380,129	3,841,291	159,539	715,952	19,454,103
\$ 584,453	\$ 3,654,622	\$ 168,146	\$ 314,755	\$ 658,799	\$ 196,478	\$ 13,982,048

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ALLAMAKEE COUNTY  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
All GOVERNMENTAL FUND TYPES  
Years Ended June 30,

	Modified Accrual			
	2013	2012	2011	2010
<b>REVENUES</b>				
Property and other County tax	\$ 6,047,031	\$ 5,550,390	\$ 5,295,124	\$ 5,270,310
Local option sales tax	284,990	284,929	300,220	338,520
Interest and penalty on property tax	143,156	124,891	66,531	61,145
Intergovernmental	3,895,167	4,268,506	4,638,643	4,987,987
Licenses and permits	24,504	15,728	11,220	15,632
Charges for service	387,306	351,327	381,939	332,818
Use of money and property	174,356	217,488	257,408	211,050
Miscellaneous	205,647	218,179	149,508	76,261
<b>Total revenues</b>	<b>\$ 11,162,157</b>	<b>\$ 11,031,438</b>	<b>\$ 11,100,593</b>	<b>\$ 11,293,723</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety and legal services	\$ 1,595,894	\$ 1,525,114	\$ 1,549,545	\$ 1,385,829
Physical health and social services	716,454	621,770	634,226	710,274
Mental health	836,192	2,105,026	1,772,883	1,631,391
County environment and education services	872,663	860,629	841,139	798,859
Roads and transportation	4,834,826	4,450,006	4,199,590	3,768,729
Governmental services to residents	418,180	407,493	382,580	384,924
Administrative services	928,163	862,042	821,090	801,998
Non-program	26,657	46,086	39,524	9,103
Debt service				
Capital project	1,074,842	1,078,210	918,760	987,268
<b>Total expenditures</b>	<b>\$ 11,303,871</b>	<b>\$ 11,956,376</b>	<b>\$ 11,159,337</b>	<b>\$ 10,478,375</b>

See Independent Auditor's Report.

Modified Accrual					
2009	2008	2007	2006	2005	2004
\$ 5,007,863	\$ 4,831,728	\$ 4,723,709	\$ 4,151,995	\$ 4,089,645	\$ 3,105,241
283,115	253,398	271,291	220,325	253,372	222,151
68,163	49,985	49,838	52,497	54,286	28,902
4,965,659	4,034,913	3,970,501	4,001,987	4,051,657	2,788,622
53,150	52,413	42,871	44,272	44,341	3,895
336,452	435,027	392,180	376,677	357,358	356,000
246,604	326,701	389,971	303,211	260,670	64,405
43,467	120,246	90,975	964,671	139,065	193,443
<u>\$ 11,004,473</u>	<u>\$ 10,104,411</u>	<u>\$ 9,931,336</u>	<u>\$ 10,115,635</u>	<u>\$ 9,250,394</u>	<u>\$ 6,762,659</u>
\$ 1,317,526	\$ 1,235,498	\$ 1,213,881	\$ 1,142,122	\$ 1,088,415	\$ 879,651
670,713	539,900	534,490	512,612	567,575	450,526
1,711,713	1,941,090	1,806,281	1,655,661	1,559,726	1,099,206
812,731	813,482	791,667	2,007,914	687,490	641,948
4,667,894	3,775,558	3,443,693	3,544,348	3,496,989	2,655,035
348,289	332,739	325,189	419,335	346,985	211,876
825,036	863,707	833,405	816,362	728,677	696,011
23,281	85,795	52,270	54,085	131,532	4,110
					30,408
140,576	95,363	453,243	694,131	959,555	29,817
<u>\$ 10,517,759</u>	<u>\$ 9,683,132</u>	<u>\$ 9,454,119</u>	<u>\$ 10,846,570</u>	<u>\$ 9,566,944</u>	<u>\$ 6,698,588</u>

## ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

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

- (a) An unmodified opinion was issued on the financial statements.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is required to be reported in accordance with *Government Auditing Standards*.
- (d) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses are reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Allamakee County did not qualify as a low-risk auditee.

ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

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Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Finding II-A-13            Overlapping Duties

Criteria:                    Proper controls over financial reporting include adequate segregation of duties.

Condition:                 The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Cause:                      The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect:                      This deficiency results in a reasonable possibility that the County would not be able to detect misstatements that would be material in relation to the financial statement in a timely period by employees in the normal course of performing their assigned functions.

Recommendation:        While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned:

Management is cognizant of this limitation and will implement additional controls where possible.

Conclusion:                Response acknowledged.

ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

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

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award Year: 2013  
U.S. Department of Homeland Security  
Passed through Iowa Department of Public Defense

See II-A-13 above.

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

See management letter dated February 5, 2014

**Part V: Summary of Prior Federal Audit Findings and Questions Costs**

Comment Reference	Comment Title	Status	Explanation
II-A-12	Financial report preparation	Corrected	Management has the necessary training and experience to accept responsibility for the year-end financial statements.
II-B-12	Overlapping duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

ALLAMAKEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
<b>Indirect</b>			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	\$ 6,305
U.S. Department of Justice Passed through Iowa Department of Justice Crime Victim Assistance	16.575	VA-13-77	24,800
U.S. Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205 20.205	EDP-C003(46)-7Y-03 Disaster IA-13-02	59,873 18,157
Sub-total U.S. Department of Transportation			78,030
U.S. Department of Health and Human Services Passed through Iowa Department of Human Services Social Services Block Grant	93.667	LAE Reimbursement	1,906
Passed through Iowa Department of Public Health Public Health Emergency Preparedness	93.069 93.069	5882BT03 5883BT03	2,668 27,467
			30,135
Passed through Helping Services for Northeast Iowa, Inc. Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SPF-SIG	46,807
<b>Other Federal Financial Assistance</b>			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	29
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	1,458
Foster Care - Title IV-E	93.658	LAE Reimbursement	2,194
Adoption Assistance	93.659	LAE Reimbursement	613
State Children's Insurance Program	93.767	LAE Reimbursement	24
Medical Assistance Program	93.778	LAE Reimbursement	6,275
			10,593
Sub-total U.S. Department of Health and Human Services			89,441
U.S. Department of Homeland Security Passed through Iowa Department of Public Defense			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4135-IA	389,629
Emergency Management Performance Grants	97.042	EMPG-12-PT-03	7,168
Emergency Management Performance Grants	97.042	EMPG-13-PT-03	24,868
Sub-total U.S. Department of Homeland Security			421,665
Total Federal Financial Assistance			\$ 620,241

See Independent Auditor's Report.

ALLAMAKEE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

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Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Allamakee County under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Allamakee County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Allamakee County.

Note 2. Summary of Significant Accounting Policies

- a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

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  
Allamakee County  
Waukon, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Allamakee County's basic financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allamakee County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allamakee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Allamakee County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item II-A-13 that we consider to be a significant deficiency.

### Compliance and Other Matters

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

### Allamakee County's Response to Finding

Allamakee County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Allamakee County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 5, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Supervisors  
Allamakee County  
Waukon, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Allamakee County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Allamakee County's major federal programs for the year ended June 30, 2013. Allamakee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Allamakee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Allamakee County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Allamakee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Allamakee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allamakee County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Allamakee County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item II-A-13, that we consider to be a significant deficiency.

Allamakee County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Allamakee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 5, 2014

## MANAGEMENT LETTER

To the Board of Supervisors  
Allamakee County  
Waukon, Iowa

In planning and performing our audit of the basic financial statements of Allamakee County for the year ended June 30, 2013, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 5, 2014, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 5, 2014 on the basic financial statements of Allamakee County. Comments 1 and 10 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

As of June 30, 2013, the Board of Supervisors, County Farm and EMS Training departments exceeded appropriations. Disbursements during the year ended June 30, 2013 in the District Court, Group Benefits and Juvenile Probation departments exceeded appropriations prior to the budget amendment.

Recommendation

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

Department appropriations will be monitored closer in the future.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2013.

5. Bond Coverage

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

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989. We did note one contract the Board of Supervisors approved to purchase new voting equipment but the minutes were unclear whether the County acquired competitive bids and whether the approved contract was awarded to the lowest bidder.

Recommendation

We recommend that the County request competitive bids for significant contracts and publish in the minutes what bids were received and who the contract was awarded to.

Response

In the future the County will request competitive bids for all required contracts and publish the results and approval in the minutes.

Conclusion

Response accepted.

7. 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.

8. 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).

9. 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 through D.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

The County Extension Office received 4-H donations. These receipts were reflected in the Extension Council's accounting system and have been included in the annual budget or monthly financial reports. Disbursements from these proceeds were approved by the Extension Council prior to payment.

10. Property and Equipment Records

A record of the County's capital assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

To facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records.

Response

The County staff will work on improving the procedures.

Conclusion

Response accepted.

11. Published Salaries

We noted the County's published salaries did not match gross wages and the amounts reported on payroll tax forms, the amounts published did not include the additional wage given to employees for choosing a lower cost health insurance premium.

Recommendation

Published salaries should include gross wages paid to County employees.

Response

Total gross salaries of County employees will be published going forward.

Conclusion

Response accepted.

12. Disbursements

During our audit, we noted various items not in compliance with County procedures. From a total of thirty-one disbursements tested we noted three disbursements not in compliance with County procedures, including two invoices not cancelled after it had been paid and one that paid actual fuel costs instead of the Board approved mileage rate. After subsequent review it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices are properly marked that it has been paid. We also recommend travel reimbursements are paid at the Board approved mileage rate.

Response

The Auditor's office will mark all invoices paid as well as check items closely for proper mileage rates.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Allamakee County during the course of our audit.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 5, 2014