



Information to Comply with Government Auditing  
Standards and OMB Circular A-133, Audits of States,  
Local Governments, and Non-Profit Organizations  
June 30, 2012

**County of Linn, Iowa**

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

To the Officials of the County of Linn, Iowa:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Linn, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

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

The County's response to the finding identified in our audit is described in the Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's response, we did not audit the County's response, and accordingly, we express no opinion on it.

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
December 14, 2012

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

To the Officials of the County of Linn, Iowa:

**Compliance**

We have audited the compliance of the County of Linn, Iowa, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

**Internal Control over Compliance**

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

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Linn, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 14, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



Dubuque, Iowa  
February 19, 2013

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Food and Nutrition Service Cluster			
Pass-Through Program From:			
Iowa Department of Education:			
School Breakfast Program	10.553	57-8022	\$ 8,980
National School Lunch Program	10.555	57-8022	13,893
Total Food and Nutrition Service Cluster			<u>22,873</u>
Iowa Department of Education:			
Child and Adult Care Food Program	10.558	57-8012	<u>47,652</u>
Pass-Through Program From:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursement:			
State Administrative Matching			
Grants for the Supplemental			
Nutrition Assistance Program	10.561		<u>125,090</u>
Total U.S. Department of Agriculture			<u>195,615</u>
U.S. Department of Housing and Urban Development:			
Pass-Through Program From:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-205	4,415,284
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-005	87,001
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-210	3,454,873
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-236	133
			<u>7,957,291</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: (continued)			
Pass-Through Program From: (continued)			
City of Cedar Rapids, IA:			
Lead-Based Paint Hazard Control in			
Privately-Owned Housing			
	14.900	IALHB0388-08	\$ 55,197
Total U.S. Department of Housing and Urban Development			<u>8,012,488</u>
U.S. Department of the Interior Fish and Wildlife Service			
Pass-Through Program From:			
North American Wetlands Conservation Fund			
	15.623	F12AP00110	78,500
Partners for Fish and Wildlife			
	15.631	F12AS00014	<u>3,000</u>
Total U.S. Department of the Interior Fish and Wildlife Service			<u>81,500</u>
U.S. Department of Justice:			
Direct Program:			
Supervised Visitation, Safe Havens for			
Children			
	16.527		<u>107,564</u>
Pass-Through Program From:			
Iowa Department of Human Rights			
Juvenile Justice and Delinquency			
Prevention - Allocation to States			
	16.540	06-JD09-10F	<u>28,141</u>
Enforcing Underage Drinking			
Laws Program			
	16.727	JJYD-F11-12	9,203
Enforcing Underage Drinking			
Laws Program			
	16.727	JJYD-F10-11	4,675
			<u>13,878</u>



County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice: (continued)			
JAG Cluster			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant	16.738		<u>\$ 90,925</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.803		<u>40,000</u>
Total JAG Cluster			<u>130,925</u>
Total U.S. Department of Justice			<u>280,508</u>
U.S. Department of Transportation:			
Pass-Through Program From:			
Trees 4 Ever			
Highway Planning and Construction	20.205	STP-ES-TREE (15)-81-00	20,000
Iowa Department of Transportation			
Highway Planning and Construction	20.205	07-EDP-001	47,503
Highway Planning and Construction	20.205	10-STPES-105	843,179
Highway Planning and Construction	20.205	08-STPE-122	<u>100,956</u>
			<u>1,011,638</u>
East Central Iowa Council of Governments:			
Formula Grants for Other than Urbanized Areas			
	20.509		<u>87,129</u>
City of Cedar Rapids Five Season's Transportation & Parking New Freedom Program			
	20.521	57-x001-118-09	<u>16,236</u>
Governor's Traffic Safety Bureau			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	11-410 Task 47	11,119
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	12-410 Task 47	<u>38,567</u>
			<u>49,686</u>
Total U.S. Department of Transportation			<u>1,164,689</u>

County of Linn, Iowa  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Pass-Through Program From:			
Iowa Department of Public Health			
State Indoor Radon Grants	66.032	MOU-2012-RC-11	\$ 3,293
Direct Program:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		19,483
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		56,510
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		15,020
Pass-Through Program From:			
Iowa Department of Human Services:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	ESD7230 Claims120004	12,426
Iowa Department of Natural Resources:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	ESD7230 Claims110001	5,074
			<u>108,513</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency: (continued)			
Pass-Through Program From: (continued)			
Iowa Department of Natural Resources: (continued)			
Capitalization Grants for Drinking Water			
State Revolving Funds			
	66.468	ESD7159CHE NDE100001	\$ 9,870
Performance Partnership Grants			
	66.605	ESD7230 Claims120004	72,041
Performance Partnership Grants			
	66.605	ESD7230 Claims110001	11,513
			<u>83,554</u>
Total U.S. Environmental Protection Agency			<u>205,230</u>
U.S. Department of Energy:			
Pass-Through Program From:			
Iowa Economic Development Authority			
ARRA - State Energy Program			
	81.041	SEP10-5778	<u>63,483</u>
Direct Program			
ARRA - Energy Efficiency and Conservation			
Block Grant Program (EECBG)			
	81.128	89-0331	<u>317,300</u>
Total U.S. Department of Energy:			<u>380,783</u>
U.S. Department of Education:			
Pass-Through Program From:			
Iowa Department of Human Services:			
Rehabilitation Services - Vocational			
Rehabilitation Grants to States			
	84.126	11-MOSOLC-28	<u>168</u>
U.S. Department of Health and Human Services:			
Pass-Through Program From:			
Heritage Area Agency on Aging:			
Special Programs for the Aging - Title IV -			
and Title II - Discretionary Projects			
	93.048	1008	41,775
Special Programs for the Aging - Title IV -			
and Title II - Discretionary Projects			
	93.048	IDA#1008	25,551
			<u>67,326</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: (continued)			
Pass-Through Program From: (continued)			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT57	\$ 42,403
Public Health Emergency Preparedness	93.069	5881BT357	65,422
Public Health Emergency Preparedness	93.069	5882BT57	69,632
			<u>177,457</u>
Environmental Public Health and Emergency Response	93.070	5882LP04	<u>25,716</u>
Medicare Enrollment Assistance Program	93.071	IDA#11114	<u>2,900</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs			
	93.116	MOU-2012-TB07	<u>1,475</u>
Immunization Grants	93.268	5882I448	5,261
Immunization Grants	93.268	5881I448	9,371
			<u>14,632</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881OB12	26,644
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5882CRC03	2,825
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5882NB16	23,088
			<u>52,557</u>
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds			
	93.531	5882HP13	<u>37,745</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: (continued)			
Pass-Through Program From:			
Iowa Department of Human Services:			
Child Support Enforcement	93.563	BOC-12-002	\$ 1,010,609
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>204</u>
Human Services Administrative Reimbursement:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>27,669</u>
Hawkeye Area Community Action Program:			
Head Start	93.600	07CH6114	<u>137,433</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Foster Care - Title IV-E	93.658		<u>45,620</u>
Adoption Assistance	93.659		<u>13,232</u>
Social Services Block Grant	93.667		39,843
Social Services Block Grant	93.667	57-0021/30-57-039	<u>739,905</u>
			<u>779,748</u>
Direct Program:			
ARRA - Strengthening Communities Fund	93.711		<u>28,156</u>
Pass-Through Program From:			
Iowa Department of Public Health:			
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)			
	93.724	5883TOB02	95,032
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)			
	93.724	5880TOB02	<u>852,822</u>
			<u>947,854</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: (continued)			
Pass-Through Program From: (continued)			
Iowa Department of Human Services:			
Children's Health Insurance Program	93.767		\$ 434
Human Services Administrative Reimbursement:			
Medical Assistance Program	93.778		117,350
Iowa Department of Public Health:			
HIV Care Formula Grants	93.917	5882HC08	46,886
HIV Care Formula Grants	93.917	5883HC08	23,786
			<u>70,672</u>
HIV Prevention Activities - Health Department Based	93.940	5882AP09	7,914
HIV Prevention Activities - Health Department Based	93.940	5881AP09	7,588
			<u>15,502</u>
Total U.S. Department of Health and Human Services			<u>3,574,291</u>
U.S. Executive Office of the President			
Direct Program:			
High Intensity Drug Trafficking Areas	95.001		<u>195,511</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security:			
Pass-Through Program From:			
United Way of America:			
Emergency Food and Shelter National Board Program	97.024	29-2964-00	<u>\$ 26,699</u>
Iowa Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763	<u>4,512,701</u>
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	HMGP-DR- 1763-0036-01	400
Hazard Mitigation Grant	97.039	HMGP-DR- 1763-0168-01	13,200
Hazard Mitigation Grant	97.039	HMGP-DR- 1763-0135-01	440,791
Hazard Mitigation Grant	97.039	HMGP-DR- 1880-0039-01	<u>5,198</u>
			<u>459,589</u>
Total U.S. Department of Homeland Security			<u>4,998,989</u>
Total Expenditures of Federal Awards			<u>\$ 19,089,772</u>

**Note 1 - Basis of Presentation**

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

**Note 2 - Subrecipients**

Of the federal expenditures presented in the Schedule, the County of Linn, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 7,957,161
Edward Byrne Memorial Justice Assistance Grant Program	16.738	45,463
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.803	40,000
HIV Care Formula Grants	93.917	70,593
Emergency Food and Shelter National Board Program	97.024	16,421



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

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiency	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.205	Highway Planning and Construction
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program
93.563	Child Support Enforcement
93.724	ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)

Dollar threshold used to distinguish between Type A and Type B programs	\$572,693
Auditee qualified as low-risk auditee	No

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

**Material Weakness**

II-A-12 **Material Audit Adjustments**

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

**Condition** – As a result of our audit procedures, we were required to propose material adjustments to record additional deferred revenue in the Capital Projects Fund and to record Construction in Progress for the Governmental Activities.

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

**Cause** – The cause of the deferred revenue entry was an error in including FEMA receipts in the calculation of receipts within 60 days of year end. The cause of the Construction in Progress adjustment is that staff did not identify capital expenditures in repairs and maintenance accounts within the conservation fund.

**Recommendation** – We recommend that those responsible for preparation of the financial statements perform a more thorough review of the items needed to report in accordance with GAAP and communicate with other departments to ensure completeness of the information received.

**Response** – The County has developed procedures to improve the review of capital expenditures. Additionally, the County has communicated with departments regarding reporting of capital expenditures to the Office of Finance and Budget.

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

None reported.

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

IV-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the purchasing department.

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

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

**Response** – The County understands the budget should have been amended prior to disbursement of amounts that exceed budget. The purchasing department and auditor’s office have been reminded of this code section.

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

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Judy Commings, Options employee, spouse is owner of Aqua Technologies	Chemicals/Supplies	\$ 2,099
Steve Tucker, Finance Director, spouse is a court reporter some- times used by the County to obtain documents on certain cases	Court documents	\$ 2,501

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with Aqua Technologies may represent a conflict of interest since they were not entered into through competitive bidding. In accordance with Chapter 331.342 of the Code of Iowa, the transactions with the Finance Director do not appear to represent conflicts of interest because these transactions are a result of this being professional services and the fact that the transaction is the default of his spouse being the reporter on a certain case.

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

**Recommendation** – The County should continue to inform all employees of the bidding requirements if transactions exceed the \$1,500 limit imposed by Chapter 331.342 of the Code of Iowa and abide by its conflict of interest policy.

**Response** – The County will continue to inform all employees of the bidding requirements. The employee handbook includes the conflict of interest policy. All new employees are required to acknowledge receipt and understanding of the policy.

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

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

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

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

IV-I-12 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the governmental funds balance sheet or statement of revenues, expenditures, and changes in fund balances.

Disbursements during the year ended June 30, 2012, for the County Extension Office did not exceed the amount budgeted.