



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 18, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Adair County, Iowa.

The County had local tax revenue of \$16,876,548 for the year ended June 30, 2013, which included \$743,667 in tax credits from the state. The County forwarded \$11,767,824 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,108,724 of the local tax revenue to finance County operations, a 26% increase over the prior year. Other revenues included charges for service of \$369,106, operating grants, contributions and restricted interest of \$2,646,899, capital grants, contributions and restricted interest of \$703,430, local option sales tax of \$503,817, unrestricted investment earnings of \$32,338 and other general revenues of \$41,398.

Expenses for County operations for the year ended June 30, 2013 totaled \$9,156,137, a 10% increase over the prior year. Expenses included \$5,570,875 for roads and transportation, \$1,244,883 for public safety and legal services and \$749,816 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0001-B00F.pdf>.

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ADAIR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Adair County
Officials
(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Homan	Board of Supervisors	Jan 2013
John Twombly	Board of Supervisors	Jan 2013
Matt Wedemeyer	Board of Supervisors	Jan 2013
Steven Shelley	Board of Supervisors	Jan 2015
Cliff Sheriff	Board of Supervisors	Jan 2015
Melinda Schaefer	County Auditor	Jan 2013
Brenda Wallace	County Treasurer	Jan 2015
Janelle Schneider	County Recorder	Jan 2015
Brad Newton	County Sheriff	Jan 2013
Michael Maynes	County Attorney	Jan 2015
Kenneth E. Huddleson	County Assessor	Jan 2014

(After January 2013)

Steven Shelley	Board of Supervisors	Jan 2015
Cliff Sheriff	Board of Supervisors	Jan 2015
David Homan	Board of Supervisors	Jan 2017
John Twombly	Board of Supervisors	Jan 2017
Matt Wedemeyer	Board of Supervisors	Jan 2017
Melinda Schaefer	County Auditor	Jan 2017
Brenda Wallace	County Treasurer	Jan 2015
Janelle Schneider	County Recorder	Jan 2015
Brad Newton	County Sheriff	Jan 2017
Michael Maynes	County Attorney	Jan 2015
Kenneth E. Huddleson	County Assessor	Jan 2014

Adair County



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Independent Auditor's Report

To the Officials of Adair County:

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 Adair County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements 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 County'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 County'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 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 Adair County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2014 on our consideration of Adair 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2014

Adair County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.8%, or approximately \$172,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$389,000 and tax increment financing revenues increased approximately \$630,000. Capital grants, contributions and restricted interest decreased approximately \$410,000 and operating grants, contributions and restricted interest decreased approximately \$917,000.
- The County's expenses for governmental activities increased 10%, or approximately \$829,000, from fiscal year 2012 to fiscal year 2013. Roads and transportation expenses increased approximately \$1,249,000 while mental health expenses decreased approximately \$652,000.
- The County's net position increased 1.2%, or approximately \$249,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's 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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net 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 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 years.

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) The proprietary fund accounts for the County's Internal Service, Employee Health Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adair County's combined net position was virtually unchanged from a year ago, increasing from approximately \$21.7 million to approximately \$21.9 million. The analysis below shows the changes in the net position of governmental activities from a year ago.

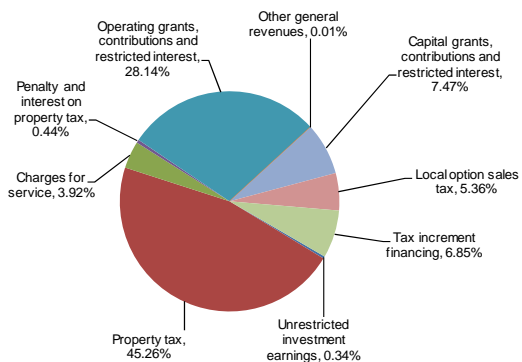
Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Current and other assets	\$ 12,666	\$ 13,470
Capital assets	20,792	19,716
Total assets	<u>33,458</u>	<u>33,186</u>
Long-term liabilities	5,461	6,053
Other liabilities	6,053	5,438
Total liabilities	<u>11,514</u>	<u>11,491</u>
Net position:		
Net investment in capital assets	17,645	16,826
Restricted	3,538	4,486
Unrestricted	761	383
Total net position	<u>\$ 21,944</u>	<u>\$ 21,695</u>

The net position of Adair County's governmental activities increased approximately \$249,000 (approximately \$21,695,000 compared to approximately \$21,944,000). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$819,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$948,000, or 21%, from June 30, 2012 to June 30, 2013. 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 from approximately \$383,000 at June 30, 2012 to approximately \$761,000 at the end of this year, an increase of 99%.

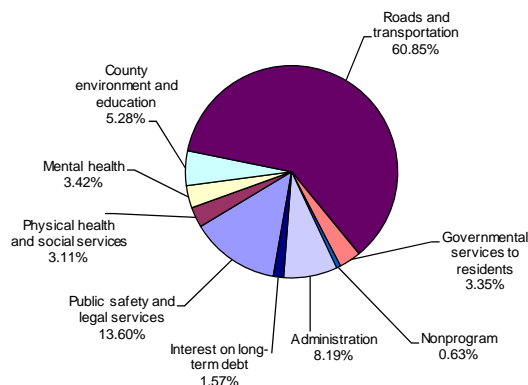
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 369	\$ 354
Operating grants, contributions and restricted interest	2,647	3,564
Capital grants, contributions and restricted interest	703	1,113
General revenues:		
Property tax	4,256	3,867
Tax increment financing	644	14
Penalty and interest on property tax	41	40
State tax credits	208	164
Local option sales tax	504	394
Unrestricted investment earnings	32	63
Other general revenues	1	4
Total revenues	9,405	9,577
Program expenses:		
Public safety and legal services	1,245	1,193
Physical health and social services	285	253
Mental health	313	965
County environment and education	483	426
Roads and transportation	5,571	4,322
Governmental services to residents	307	283
Administration	750	685
Nonprogram	58	52
Interest on long-term debt	144	148
Total expenses	9,156	8,327
Increase in net position	249	1,250
Net position beginning of year	21,695	20,445
Net position end of year	\$ 21,944	\$ 21,695

Revenues by Source



Expenses by Function



Adair County's net position of governmental activities increased approximately \$249,000 during the year. Revenues for governmental activities decreased approximately \$172,000 from the prior year, with operating grants, contributions and restricted interest decreasing approximately \$917,000, or 26%, from the prior year.

The cost of all governmental activities this year was approximately \$9.2 million compared to approximately \$8.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$369,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,350,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$5,031,000 to approximately \$3,719,000. This was, in part, the result of decreased state aid mental health receipts, farm-to-market contributions and federal grant receipts related to road and bridge projects. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,686,000 of property tax (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$6.5 million, a decrease of approximately \$1.1 million below last year's total of approximately \$7.6 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues slightly exceeded expenditures. The ending fund balance increased approximately \$1,000 from the prior year to approximately \$1,598,000. An increase in property tax was offset by an increase in expenditures, such as the courthouse window renovation project paid from the General Fund.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2013, the Special Revenue, Mental Health Fund expenditures totaled approximately \$313,000, a decrease of 67.5% from the prior year, primarily due to the statewide mental health redesign. The ending fund balance increased from approximately (\$209,000) to approximately (\$72,000). The increase is primarily due to the County receiving federal transition funds applied to mental health bills prior to the statewide mental health redesign, which shifted Medicaid funding to the regional level instead of the County level. The redesign led to a significant decrease in mental health expenditures.
- The Special Revenue, Rural Services Fund ending fund balance increased approximately \$6,000 from the prior year to approximately \$350,000. This increase is due to an increase in property and other county tax revenue.
- The Special Revenue, Secondary Roads Fund revenues increased approximately \$340,000 from the prior year, primarily due to the recognition of federal grant revenue relating to a bridge project recorded as deferred revenue in fiscal year 2012. Expenditures increased approximately \$1,495,000 from the prior year due to an increase in equipment purchases and an increase in locally funded road and bridge projects, financed by local option sales tax and tax increment financing. The Special Revenue, Secondary Roads Fund balance at year end decreased approximately \$698,000, or 42%, to approximately \$954,000.

- The Special Revenue, Urban Renewal Fund ending fund balance increased from approximately (\$64,000) in the prior year to approximately (\$29,000) as increased debt service payments were offset by increased tax increment financing revenue. The County will eliminate the deficit balance through the collection of future tax increment financing revenue.
- The Special Revenue, Local Option Sales Tax Fund ending fund balance decreased approximately \$32,000 from the prior year to approximately \$1,233,000 as transfers to the Special Revenue, Secondary Roads Fund for bridge maintenance and replacement projects exceeded local option sales tax revenue received during the fiscal year.
- The Capital Projects Fund ending fund balance decreased approximately \$634,000 from the prior year to approximately \$2,129,000. This decrease is due to interfund transfers to the Special Revenue, Secondary Roads Fund for road and bridge expenditures incurred.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2013 and decreased budgeted revenues approximately \$30,000 and increased budgeted disbursements approximately \$3.07 million related to an increase in local bridge construction projects.

The second amendment was made in May 2013. This amendment increased budgeted receipts approximately \$29,000. The amendment also increased budgeted disbursements approximately \$396,000 related to expenses for the purchase of a motor grader, fuel system and special investigation costs, as well as expenses for bridge deck repair and the Lake Orient Safe Room capital project.

The County's receipts were approximately \$74,000 more than budgeted, primarily due to the County collecting more property tax than originally budgeted.

Total disbursements were approximately \$3,616,000 less than budgeted. Actual disbursements for the capital projects and mental health functions were approximately \$2,686,000 and \$521,000, respectively, less than budgeted. The difference for capital projects was due to the County budgeting work to be done on the Lake Orient Safe Room project, which did not commence until June 2013, and the timing of several TIF projects which were delayed. Mental health was under budget as the budget was established prior to the statewide mental health redesign, which shifts Medicaid funding to the regional level and away from the county level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Adair County had approximately \$20.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,076,000, or 5.5%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 713	\$ 671
Intangibles, road network	34	34
Construction in progress	175	175
Buildings and improvements	3,293	3,243
Improvements other than buildings	157	118
Equipment and vehicles	3,455	3,081
Infrastructure, road network	12,965	12,394
Total	<u>\$ 20,792</u>	<u>\$ 19,716</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 311	
Construction projects	803	
Purchase of Secondary Roads vehicles and equipment	932	
Total	<u>\$ 2,046</u>	

The County had depreciation expense of approximately \$1,047,000 in fiscal year 2013 and total accumulated depreciation of approximately \$5,412,000 at June 30, 2013. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2013, Adair County had \$5,265,000 of general obligation bonds outstanding, compared to \$5,885,000 at June 30, 2012.

Adair County's general obligation debt carries the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$44.4 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$342,000 of local option sales tax in fiscal year 2014.

Amounts available for appropriation in the operating budget are approximately \$10.2 million, a decrease of 26% from the final fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease to approximately \$3,040,000 by the close of fiscal year 2014.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adair 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 Adair County Auditor's Office, 400 Public Square, Ste. 5, Greenfield, Iowa 50849.

Basic Financial Statements

Exhibit A

Adair County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 6,650,771
Receivables:	
Property tax:	
Delinquent	8,806
Succeeding year	4,356,000
Succeeding year tax increment financing	892,000
Interest and penalty on property tax	18,622
Accounts	30,404
Accrued interest	2,063
Due from other governments	318,730
Inventories	224,676
Prepaid items	164,749
Capital assets net of accumulated depreciation	20,791,525
Total assets	<u>33,458,346</u>
Liabilities	
Accounts payable	310,699
Accrued interest payable	10,463
Salaries and benefits payable	89,692
Due to other governments	393,955
Deferred revenue:	
Succeeding year property tax	4,356,000
Succeeding year tax increment financing	892,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	920,000
Compensated absences	105,338
Portion due or payable after one year:	
General obligation bonds	4,345,000
Compensated absences	84,875
Net OPEB liability	5,971
Total liabilities	<u>11,513,993</u>
Net Position	
Net investment in capital assets	17,644,891
Restricted for:	
Supplemental levy purposes	380,255
Rural services purposes	352,339
Secondary roads purposes	846,772
Conservation land acquisition purposes	394,451
Resource enhancement and protection	175,759
Bridge maintenance and replacement	1,233,325
Debt service	91,965
Capital projects	11,306
Other purposes	52,277
Unrestricted	761,013
Total net position	<u>\$ 21,944,353</u>

See notes to financial statements.

Adair County
Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,244,883	46,191	3,746	36	(1,194,910)
Physical health and social services	285,058	23,414	75,437	-	(186,207)
Mental health	313,583	-	142,058	-	(171,525)
County environment and education	482,692	29,396	10,603	10,932	(431,761)
Roads and transportation	5,570,875	98,307	2,348,813	692,462	(2,431,293)
Governmental services to residents	306,732	150,903	23	-	(155,806)
Administration	749,816	19,783	-	-	(730,033)
Nonprogram	58,031	1,112	65,719	-	8,800
Interest on long-term debt	144,467	-	500	-	(143,967)
Total	<u>\$ 9,156,137</u>	<u>369,106</u>	<u>2,646,899</u>	<u>703,430</u>	<u>(5,436,702)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,965,429
Debt service					290,530
Tax increment financing					644,439
Penalty and interest on property tax					40,723
State tax credits					208,326
Local option sales tax					503,817
Unrestricted investment earnings					32,338
Miscellaneous					675
Total general revenues					<u>5,686,277</u>
Change in net position					249,575
Net position beginning of year					21,694,778
Net position end of year					<u>\$ 21,944,353</u>

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds

June 30, 2013

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,493,522	279,866	363,451
Receivables:			
Property tax:			
Delinquent	6,142	783	1,881
Succeeding year	2,362,000	289,000	1,382,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	18,622	-	-
Accounts	8,972	-	998
Accrued interest	2,063	-	-
Due from other funds	-	-	-
Due from other governments	29,389	-	-
Interfund advance receivable	31,000	-	-
Inventories	-	-	-
Prepaid items	103,060	-	-
Total assets	\$ 4,054,770	569,649	1,748,330
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 13,016	14,381	1,226
Salaries and benefits payable	31,406	881	7,148
Due to other funds	3,640	-	-
Due to other governments	21,623	336,299	5,617
Interfund advance payable	-	-	-
Deferred revenue:			
Succeeding year property tax	2,362,000	289,000	1,382,000
Succeeding year tax increment financing	-	-	-
Other	24,764	783	1,881
Total liabilities	2,456,449	641,344	1,397,872
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	103,060	-	-
Restricted for:			
Supplemental levy purposes	383,320	-	-
Rural services purposes	-	-	350,458
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	394,451	-	-
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	-	-
Assigned for:			
Courthouse windows	10,000	-	-
Courthouse roof	60,000	-	-
Unassigned	647,490	(71,695)	-
Total fund balances	1,598,321	(71,695)	350,458
Total liabilities and fund balances	\$ 4,054,770	569,649	1,748,330

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Local Option Sales Tax	Capital Projects	Nonmajor	Total
816,240	1,787	1,164,347	2,118,889	326,384	6,564,486
-	-	-	-	-	8,806
-	-	-	-	323,000	4,356,000
-	892,000	-	-	-	892,000
-	-	-	-	-	18,622
20,434	-	-	-	-	30,404
-	-	-	-	-	2,063
3,640	-	-	-	-	3,640
208,464	-	68,978	11,781	118	318,730
-	-	-	-	-	31,000
224,676	-	-	-	-	224,676
61,689	-	-	-	-	164,749
<u>1,335,143</u>	<u>893,787</u>	<u>1,233,325</u>	<u>2,130,670</u>	<u>649,502</u>	<u>12,615,176</u>
281,078	-	-	998	-	310,699
50,257	-	-	-	-	89,692
-	-	-	-	-	3,640
30,416	-	-	-	-	393,955
-	31,000	-	-	-	31,000
-	-	-	-	323,000	4,356,000
-	892,000	-	-	-	892,000
18,912	-	-	849	-	47,189
<u>380,663</u>	<u>923,000</u>	<u>-</u>	<u>1,847</u>	<u>323,000</u>	<u>6,124,175</u>
224,676	-	-	-	-	224,676
61,689	-	-	-	-	164,749
-	-	-	-	-	383,320
-	-	-	-	-	350,458
668,115	-	-	-	-	668,115
-	-	-	-	-	394,451
-	-	-	-	98,466	98,466
-	-	-	2,128,823	-	2,128,823
-	-	-	-	175,759	175,759
-	-	1,233,325	-	-	1,233,325
-	-	-	-	52,277	52,277
-	-	-	-	-	10,000
-	-	-	-	-	60,000
-	(29,213)	-	-	-	546,582
<u>954,480</u>	<u>(29,213)</u>	<u>1,233,325</u>	<u>2,128,823</u>	<u>326,502</u>	<u>6,491,001</u>
<u>1,335,143</u>	<u>893,787</u>	<u>1,233,325</u>	<u>2,130,670</u>	<u>649,502</u>	<u>12,615,176</u>

Adair County

Adair County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2013

Total governmental fund balances (page 21) \$ 6,491,001

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$26,203,145 and the accumulated depreciation is \$5,411,620. 20,791,525

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 47,189

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 86,285

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,471,647)

Net position of governmental activities (page 18) \$21,944,353

See notes to financial statements.

Adair County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2013

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,307,507	294,159	1,360,397
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	34,847	-	-
Intergovernmental	204,752	155,138	65,360
Licenses and permits	5,293	-	7,341
Charges for service	205,880	-	410
Use of money and property	50,342	-	-
Miscellaneous	14,083	1,580	-
Total revenues	2,822,704	450,877	1,433,508
Expenditures:			
Operating:			
Public safety and legal services	1,015,913	-	150,215
Physical health and social services	274,797	-	10,261
Mental health	-	313,493	-
County environment and education	327,195	-	128,725
Roads and transportation	-	-	234,578
Governmental services to residents	299,747	-	3,973
Administration	744,504	-	-
Debt service	-	-	-
Capital projects	123,750	-	-
Total expenditures	2,785,906	313,493	527,752
Excess (deficiency) of revenues over (under) expenditures	36,798	137,384	905,756
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	18,271	-	-
Operating transfers out	(85,207)	-	(900,000)
Interfund advance	31,000	-	-
Total other financing sources (uses)	(35,936)	-	(900,000)
Change in fund balances	862	137,384	5,756
Fund balances beginning of year	1,597,459	(209,079)	344,702
Fund balances end of year	\$ 1,598,321	(71,695)	350,458

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Local Option Sales Tax	Capital Projects	Nonmajor	Total
-	-	-	-	289,681	4,251,744
-	644,439	-	-	-	644,439
-	-	503,817	-	-	503,817
-	-	-	-	-	34,847
3,052,874	-	-	10,932	23,909	3,512,965
600	-	-	-	-	13,234
-	-	-	-	1,847	208,137
-	300	2,769	13,886	730	68,027
106,996	-	-	-	11,305	133,964
3,160,470	644,739	506,586	24,818	327,472	9,371,174
-	-	-	-	580	1,166,708
-	-	-	-	-	285,058
-	-	-	-	-	313,493
-	-	-	-	2,696	458,616
4,911,600	-	-	-	-	5,146,178
-	-	-	-	3,000	306,720
-	-	-	-	-	744,504
-	560,500	-	-	204,949	765,449
1,068,891	-	-	88,718	-	1,281,359
5,980,491	560,500	-	88,718	211,225	10,468,085
(2,820,021)	84,239	506,586	(63,900)	116,247	(1,096,911)
12,400	-	-	-	-	12,400
2,109,903	-	-	20,192	-	2,148,366
-	(18,271)	(538,512)	(590,376)	(16,000)	(2,148,366)
-	(31,000)	-	-	-	-
2,122,303	(49,271)	(538,512)	(570,184)	(16,000)	12,400
(697,718)	34,968	(31,926)	(634,084)	100,247	(1,084,511)
1,652,198	(64,181)	1,265,251	2,762,907	226,255	7,575,512
954,480	(29,213)	1,233,325	2,128,823	326,502	6,491,001

Adair County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year ended June 30, 2013

Change in fund balances - Total governmental funds (page 25) \$(1,084,511)

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

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

Expenditures for capital assets	\$ 1,857,187	
Capital assets contributed by the Iowa Department of Transportation	311,062	
Depreciation expense	<u>(1,046,758)</u>	1,121,491

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as a increase in financial resources. (45,971)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	3,366	
Other	<u>(341,814)</u>	(338,448)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 620,000

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

Compensated absences	(24,169)	
Interest on long-term debt	982	
Other postemployment benefits	<u>(3,692)</u>	(26,879)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 3,893

Change in net position of governmental activities (page 19) \$ 249,575

See notes to financial statements.

Adair County
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>Internal Service - Employee Health Insurance</u>
Assets	
Cash and cash equivalents	\$ 86,285
Liabilities	
None	-
Net Position	
Unrestricted	<u>\$ 86,285</u>

See notes to financial statements.

Adair County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2013

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Contributions from operating funds		\$ 22,720
Premium reimbursements from employees and others		39,024
Total operating revenues		<u>61,744</u>
Operating expenses:		
Medical claims	\$ 20,779	
Insurance premiums	<u>37,252</u>	<u>58,031</u>
Operating income		3,713
Non-operating revenues:		
Interest income		<u>180</u>
Net income		3,893
Net position beginning of year		<u>82,392</u>
Net position end of year		<u>\$ 86,285</u>
See notes to financial statements.		

Adair County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating funds	\$ 22,720
Premium reimbursements from employees and others	39,024
Cash paid to suppliers for services	(58,031)
Net cash provided by operating activities	3,713
Cash flows from investing activities:	
Interest on investments	180
Net increase in cash and cash equivalents	3,893
Cash and cash equivalents beginning of year	82,392
Cash and cash equivalents end of year	\$ 86,285
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,713
Adjustments to reconcile operating income to net cash provided by operating activities:	
None	-
Net cash provided by operating activities	\$ 3,713

See notes to financial statements.

Adair County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 478,596
Other County officials	27,024

Receivables:

Property tax:

Delinquent	33,173
Succeeding year	11,303,000

Special assessments	60,051
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Due from other governments	13,147
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Prepaid expenses	10,749
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Total assets	<u>11,925,740</u>
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Liabilities

Accounts payable	1,078
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Salaries and benefits payable	1,851
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Due to other governments	11,868,285
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Trusts payable	33,606
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Compensated absences	20,920
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Total liabilities	<u>11,925,740</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Adair County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. 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: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center, County Emergency Management Commission and South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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 nonfiduciary 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, intergovernmental revenues and other nonexchange transactions.

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 three categories.

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

Restricted net position results when constraints placed on the use of net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Urban Renewal Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for the purposes of bridge construction and maintenance.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 February 2012.

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

Due from and to Other Funds and Advances to and from Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	65,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Equipment	3 - 20
Vehicles	3 - 15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Secondary Roads Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Health Insurance Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled 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 or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$10,558 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

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

(3) Interfund Assets/Liabilities

The detail of amounts due from and due to other funds at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	<u>\$ 3,640</u>

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	<u>\$ 31,000</u>

The General Fund advanced \$31,000 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with tax increment financing receipts as they are collected.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	\$ 18,271
Special Revenue: Secondary Roads	General	81,015
	Special Revenue: Rural Services	900,000
	Local Option Sales Tax	538,512
	Capital Projects	590,376
Capital Projects	General	4,192
	Special Revenue: Resource Enhancement and Protection	<u>16,000</u>
Total		<u>\$ 2,148,366</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 671,067	41,700	-	712,767
Intangibles, road network	34,220	-	-	34,220
Construction in progress	174,758	1,113,632	1,113,817	174,573
Total capital assets not being depreciated	880,045	1,155,332	1,113,817	921,560
Capital assets being depreciated:				
Buildings	3,562,214	138,311	5,366	3,695,159
Improvements other than buildings	225,684	46,721	-	272,405
Equipment and vehicles	5,632,303	1,009,226	662,105	5,979,424
Infrastructure, road network	14,240,730	1,093,867	-	15,334,597
Total capital assets being depreciated	23,660,931	2,288,125	667,471	25,281,585
Less accumulated depreciation for:				
Buildings	319,238	88,027	5,366	401,899
Improvements other than buildings	108,008	7,161	-	115,169
Equipment and vehicles	2,551,208	427,997	454,743	2,524,462
Infrastructure, road network	1,846,517	523,573	-	2,370,090
Total accumulated depreciation	4,824,971	1,046,758	460,109	5,411,620
Total capital assets being depreciated, net	18,835,960	1,241,367	207,362	19,869,965
Governmental activities capital assets, net	\$19,716,005	2,396,699	1,321,179	20,791,525

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 103,835
County environment and education	31,422
Roads and transportation	894,611
Administration	16,890
Total depreciation expense - governmental activities	<u>\$1,046,758</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 21,623
Special Revenue:		
Mental Health	Services	336,299
Rural Services	Services	5,617
Secondary Roads	Services	30,416
		<u>372,332</u>
Total for governmental funds		<u>\$ 393,955</u>
Agency:		
County Assessor	Collections	\$ 251,198
Schools		6,618,135
Community Colleges		373,502
Corporations		2,418,240
Townships		315,737
County Hospital		1,410,400
Auto License and Use Tax		195,042
All other		286,031
Total for agency funds		<u>\$ 11,868,285</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,885,000	166,044	2,279	6,053,323
Increases	-	121,465	7,796	129,261
Decreases	620,000	97,296	4,104	721,400
Balance end of year	<u>\$ 5,265,000</u>	<u>190,213</u>	<u>5,971</u>	<u>5,461,184</u>
Due within one year	\$ 920,000	105,338	-	1,025,338

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building		
	Issued Sept 1, 2010		
	Interest Rates	Principal	Interest
2014	2.00%	\$ 120,000	82,050
2015	2.00	125,000	79,650
2016	2.00	125,000	77,150
2017	2.25	130,000	74,650
2018	2.25	135,000	71,725
2019-2023	2.50 - 3.00	755,000	304,913
2024-2028	3.00 - 3.50	935,000	180,513
2029-2030	3.75	440,000	24,938
Total		\$ 2,765,000	895,589

Year Ending June 30,	Bridge, Road and Culvert			Total		
	Issued Apr 28, 2011					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	2.00%	\$ 800,000	50,000	920,000	132,050	1,052,050
2015	2.00	850,000	34,000	975,000	113,650	1,088,650
2016	2.00	850,000	17,000	975,000	94,150	1,069,150
2017		-	-	130,000	74,650	204,650
2018		-	-	135,000	71,725	206,725
2019-2023		-	-	755,000	304,913	1,059,913
2024-2028		-	-	935,000	180,513	1,115,513
2029-2030		-	-	440,000	24,938	464,938
Total		\$ 2,500,000	101,000	5,265,000	996,589	6,261,589

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$220,664, \$192,123 and \$150,495, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 7,833
Interest on net OPEB obligation	103
Adjustment to annual required contribution	<u>(140)</u>
Annual OPEB cost	7,796
Contributions made	<u>(4,104)</u>
Increase in net OPEB obligation	3,692
Net OPEB obligation beginning of year	<u>2,279</u>
Net OPEB obligation end of year	<u>\$ 5,971</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$4,104 to the medical plan. Plan members eligible for benefits contributed \$11,163, or 73.1% of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 10,594	93.0%	\$ 1,610
2012	10,507	93.6%	2,279
2013	7,796	52.6%	5,971

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$73,315, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,315. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,502,000 and the ratio of the UAAL to covered payroll was 2.9%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3.8% is assumed for the purpose of this report.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on Scale T-4 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$9,655 annually for retirees participating in the plan. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$114,374.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County’s health insurance benefit plan. The plan is funded by County contributions and is administered by the County. The County assumes liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively.

Contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. The County’s contribution for the year ended June 30, 2013 was \$22,720.

The County was not required to obtain an actuarial report for the period ended June 30, 2013 since its plan qualifies as a “mini plan.” A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2013. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ -
Incurred claims	20,779
Payments on claims during the fiscal year	(20,779)
Unpaid claims end of year	<u>\$ -</u>

(12) Southern Iowa Rural Water Association (SIRWA) Agreement

On May 25, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA’s rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan of \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (Counties) to the agreement. Adair County’s share of the debt was 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking and Reserve Fund, into which there shall be appropriated from the County’s General Fund sufficient funds to pay the principal and interest on the loan. The County established the SIRWA Grid Account within the General Fund and transferred \$62,500 from the General Fund to this account in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. During the year ended June 30, 2013, the County transferred the \$67,283 balance of the SIRWA Grid Account to the General Fund.

(13) Deficit Fund Balances

The Special Revenue, Urban Renewal Fund had a fund balance deficit of \$29,213 at June 30, 2013. The County plans to eliminate the deficit through the collection of tax increment financing revenue in fiscal year 2014.

The Special Revenue, Mental Health Fund had a fund balance deficit of \$71,695 at June 30, 2013. The County plans to eliminate the deficit through future state funding.

(14) Construction Commitment

The County has entered into contracts totaling \$572,240 for the Lake Orient Safe Room capital project. As of June 30, 2013, costs of \$15,342 have been incurred on the project. The balance of \$556,898 remaining on the contracts at June 30, 2013 will be paid as work on the project progresses.

(15) Subsequent Events

On November 12, 2013, the County instituted proceedings to take additional action for the authorization of a loan agreement and the issuance of not to exceed \$6,000,000 of general obligation capital loan notes to provide funds to pay costs of the following:

- Construction, equipping and furnishing a Secondary Roads Building at a cost not to exceed \$600,000,
- Acquiring, developing and improving a geographic computer database system suitable for automated mapping and facilities management,
- Equipping the Sheriff's office, including a computer software update at a cost not to exceed \$175,000 and
- Construction, reconstruction, improvement and repair of roads and bridges to assist in economic development which creates jobs and wealth.

The notes are payable from a continuing annual levy of property tax against all taxable property of the County.

On November 12, 2013, the County instituted proceedings to take additional action for the authorization of a loan agreement and the issuance of not to exceed \$5,000,000 of general obligation capital loan notes to provide funds to pay costs of aiding in the planning and undertaking of urban renewal projects, including construction, reconstruction, improvement and repair of roads and bridges to assist in economic development which creates jobs and wealth. The bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

Required Supplementary Information

Adair County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 5,391,975	5,299,836	5,299,836	92,139
Interest and penalty on property tax	34,847	27,000	27,000	7,847
Intergovernmental	3,473,523	3,579,490	3,559,490	(85,967)
Licenses and permits	13,350	21,300	20,300	(6,950)
Charges for service	210,204	177,665	185,192	25,012
Use of money and property	70,847	60,719	61,815	9,032
Miscellaneous	93,425	48,655	60,396	33,029
Total receipts	9,288,171	9,214,665	9,214,029	74,142
Disbursements:				
Public safety and legal services	1,160,095	1,334,347	1,342,160	182,065
Physical health and social services	282,580	295,208	329,096	46,516
Mental health	285,565	806,550	806,550	520,985
County environment and education	444,453	485,500	485,500	41,047
Roads and transportation	4,879,090	4,201,653	4,938,653	59,563
Governmental services to residents	306,630	307,325	324,600	17,970
Administration	744,142	781,955	806,155	62,013
Debt service	765,450	765,450	765,450	-
Capital projects	1,261,053	1,300,000	3,947,000	2,685,947
Total disbursements	10,129,058	10,277,988	13,745,164	3,616,106
Excess (deficiency) of receipts over (under) disbursements	(840,887)	(1,063,323)	(4,531,135)	3,690,248
Other financing sources, net	59,290	-	55,400	3,890
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(781,597)	(1,063,323)	(4,475,735)	3,694,138
Balance beginning of year	7,346,083	4,889,841	7,343,119	2,964
Balance end of year	\$ 6,564,486	3,826,518	2,867,384	3,697,102

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,288,171	83,003	9,371,174
Expenditures	10,129,058	339,027	10,468,085
Net	(840,887)	(256,024)	(1,096,911)
Other financing sources, net	59,290	(46,890)	12,400
Beginning fund balances	7,346,083	229,429	7,575,512
Ending fund balances	\$ 6,564,486	(73,485)	6,491,001

See accompanying independent auditor's report.

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

This 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 Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,467,176. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted by function.

Adair County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	Jul 1, 2009	-	\$ 107	107	0.0%	\$ 2,207	4.8%
2012	Jul 1, 2009	-	107	107	0.0	2,361	4.5
2013	Jul 1, 2012	-	73	73	0.0	2,502	2.9

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

See accompanying independent auditor's report.

Adair County

Supplementary Information

Adair County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Assets			
Cash, cash equivalents and pooled investments	\$ 175,759	9,777	5,424
Succeeding year property tax receivable	-	-	-
Due from other governments	-	118	-
Total assets	\$ 175,759	9,895	5,424
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Resource enhancement and protection	175,759	-	-
Other purposes	-	9,895	5,424
Total fund balances	175,759	9,895	5,424
Total liabilities and fund balances	\$ 175,759	9,895	5,424

See accompanying independent auditor's report.

Special Law Enforcement	Debt Service	Total
36,958	98,466	326,384
-	323,000	323,000
-	-	118
36,958	421,466	649,502
-	323,000	323,000
-	98,466	98,466
-	-	175,759
36,958	-	52,277
36,958	98,466	326,502
36,958	421,466	649,502

Adair County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Revenues:			
Property tax	\$ -	-	-
Intergovernmental	8,847	-	1,757
Charges for service	-	1,847	-
Use of money and property	429	23	11
Miscellaneous	-	-	-
Total revenues	9,276	1,870	1,768
Expenditures:			
Operating:			
Public safety and legal services	-	-	580
County environment and education	2,696	-	-
Governmental services to residents	-	3,000	-
Debt service	-	-	-
Total expenditures	2,696	3,000	580
Excess (deficiency) of revenues over (under) expenditures	6,580	(1,130)	1,188
Other financing uses:			
Operating transfers out	(16,000)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(9,420)	(1,130)	1,188
Fund balances beginning of year	185,179	11,025	4,236
Fund balances end of year	\$ 175,759	9,895	5,424

See accompanying independent auditor's report.

Special Law Enforcement	Debt Service	Total
-	289,681	289,681
-	13,305	23,909
-	-	1,847
68	199	730
11,305	-	11,305
11,373	303,185	327,472
-	-	580
-	-	2,696
-	-	3,000
-	204,949	204,949
-	204,949	211,225
11,373	98,236	116,247
-	-	(16,000)
11,373	98,236	100,247
25,585	230	226,255
36,958	98,466	326,502

Adair County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,840	72,781	88,170
Other County officials	27,024	-	-	-
Receivables:				
Property tax:				
Delinquent	-	365	493	16,965
Succeeding year	-	143,000	193,000	6,513,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	7,785	-
Total assets	\$ 27,024	145,205	274,059	6,618,135
Liabilities				
Accounts payable	\$ -	-	90	-
Salaries and benefits payable	-	-	1,851	-
Due to other governments	26,619	145,205	251,198	6,618,135
Trusts payable	405	-	-	-
Compensated absences	-	-	20,920	-
Total liabilities	\$ 27,024	145,205	274,059	6,618,135

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
4,530	23,898	4,247	17,858	195,042	70,230	478,596
-	-	-	-	-	-	27,024
972	10,342	490	3,542	-	4	33,173
368,000	2,384,000	311,000	1,389,000	-	2,000	11,303,000
-	-	-	-	-	60,051	60,051
-	-	-	-	-	13,147	13,147
-	-	-	-	-	2,964	10,749
373,502	2,418,240	315,737	1,410,400	195,042	148,396	11,925,740
-	-	-	-	-	988	1,078
-	-	-	-	-	-	1,851
373,502	2,418,240	315,737	1,410,400	195,042	114,207	11,868,285
-	-	-	-	-	33,201	33,606
-	-	-	-	-	-	20,920
373,502	2,418,240	315,737	1,410,400	195,042	148,396	11,925,740

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	Agricultural			
	County Offices	Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 20,865	137,312	250,039	6,462,234
Additions:				
Property and other county tax	-	145,191	195,254	6,575,719
State tax credits	-	6,832	9,224	323,796
Office fees and collections	199,705	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	88,634	-	-	-
Miscellaneous	-	-	196	-
Total additions	288,339	152,023	204,674	6,899,515
Deductions:				
Agency remittances:				
To other funds	83,872	-	-	-
To other governments	110,079	144,130	180,654	6,743,614
Trusts paid out	88,229	-	-	-
Total deductions	282,180	144,130	180,654	6,743,614
Balances end of year	\$ 27,024	145,205	274,059	6,618,135

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
334,544	2,610,128	313,687	1,335,436	204,806	168,146	11,837,197
370,211	2,223,806	312,136	1,407,657	-	2,509	11,232,483
16,995	95,985	16,121	66,313	-	75	535,341
-	-	-	-	-	-	199,705
-	-	-	-	-	1,847	1,847
-	-	-	-	2,614,305	-	2,614,305
-	-	-	-	-	6,100	6,100
-	-	-	-	-	110,842	199,476
-	-	-	-	-	37,854	38,050
387,206	2,319,791	328,257	1,473,970	2,614,305	159,227	14,827,307
-	-	-	-	96,983	-	180,855
348,248	2,511,679	326,207	1,399,006	2,527,086	178,977	14,469,680
-	-	-	-	-	-	88,229
348,248	2,511,679	326,207	1,399,006	2,624,069	178,977	14,738,764
373,502	2,418,240	315,737	1,410,400	195,042	148,396	11,925,740

Adair County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 4,251,744	3,869,754	3,348,513	3,167,982
Tax increment financing	644,439	13,541	-	-
Local option sales tax	503,817	393,649	382,925	359,998
Interest and penalty on property tax	34,847	38,153	40,603	36,663
Intergovernmental	3,512,965	3,345,918	4,514,671	3,406,128
Licenses and permits	13,234	19,665	13,045	11,581
Charges for service	208,137	216,685	218,616	202,184
Use of money and property	68,027	111,898	141,667	115,319
Miscellaneous	133,964	125,581	47,221	65,442
Total	\$ 9,371,174	8,134,844	8,707,261	7,365,297
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,166,708	1,157,935	1,032,605	922,347
Physical health and social services	285,058	253,437	254,101	285,962
Mental health	313,493	965,012	830,960	723,834
County environment and education	458,616	442,356	395,070	349,061
Roads and transportation	5,146,178	3,900,205	4,398,859	3,317,301
Governmental services to residents	306,720	283,578	264,392	258,019
Administration	744,504	689,376	730,973	637,063
Debt service	765,449	268,250	65,313	3,180
Capital projects	1,281,359	1,949,111	2,568,105	235,048
Total	\$ 10,468,085	9,909,260	10,540,378	6,731,815

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
3,059,585	2,940,051	2,787,863	2,811,648	2,759,307	2,529,614
155,821	224,152	228,134	197,312	177,752	131,004
389,100	384,633	331,171	288,283	-	-
32,615	31,970	24,795	30,144	36,769	30,289
4,056,407	3,570,799	3,253,022	3,698,104	3,260,303	3,165,275
10,785	7,996	5,892	8,773	7,082	9,030
192,838	209,970	187,939	194,725	189,774	224,647
143,624	168,860	192,220	145,577	86,316	111,041
58,841	57,627	59,213	56,182	59,825	51,068
8,099,616	7,596,058	7,070,249	7,430,748	6,577,128	6,251,968
911,956	872,781	848,714	838,304	886,203	819,585
211,656	196,164	205,790	187,905	199,768	246,061
822,903	899,924	832,900	738,628	622,373	638,398
356,852	302,639	297,218	282,131	274,487	304,014
3,225,904	3,049,285	3,208,317	3,689,971	3,229,715	3,471,194
241,661	192,932	208,987	283,523	256,920	220,558
631,016	652,064	534,470	532,093	512,160	517,903
310,430	236,213	392,157	204,537	166,302	187,774
915,695	207,174	511,154	707,302	299,472	109,285
7,628,073	6,609,176	7,039,707	7,464,394	6,447,400	6,514,772

Adair County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

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 Officials of Adair County:

We have audited 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County's internal control over financial reporting to determine the audit procedures 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 Adair County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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.

Adair County's Responses to the Findings


Adair County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adair County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 4, 2014

Adair County

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from an employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. One or two individuals in the County Sheriff's Office have duties of opening and listing mail receipts, collecting, depositing and posting records which are not segregated. The mail opener also has access to the accounts receivable records.

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

Response – We will try to have one person open mail and one person receipt in checks.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of payables, capital asset additions and deletions and prepaid items which were not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables, capital assets additions and deletions and prepaid items are identified and included in the County's financial statements.

Response – The County Auditor will send a memo to all department heads toward the end of each fiscal year to remind them to report prepaid items and receivables to the Auditor and Treasurer, respectively. The memo will again be sent when the State Auditors return to start the annual audit.

Conclusion – Response accepted.

Adair County

Schedule of Findings

Year ended June 30, 2013

- (C) Salvaged Materials and Scrap Metal – Because records were not maintained for materials recovered from job sites, no one in the Engineer’s Office was able to readily determine if proceeds from the sale of salvaged materials and scrap metal were properly deposited with the County Treasurer.

In addition, proceeds from certain sales were not provided to the Office Manager or Administrative Assistant. As a result, the proceeds were not recorded on a receipt.

Inventory records were not maintained which documented the weight or value of scrap metal held or sold.

Recommendation – The Engineer’s Office should implement procedures which ensure sufficient records are maintained for materials recovered from job sites. The records should include a description of the materials, quantity/weight, whether it will be sold as individual pieces or as scrap, the job from which it was recovered, the date it was returned to the Engineer Office’s yard, the date it was subsequently sold, the amount it was sold for and who authorized the sale.

In addition, the records should periodically be reviewed by someone independent of other duties related to the materials to ensure all material is accounted for. The sale amounts should be compared to the amounts deposited with the County Treasurer. Any variances identified should be resolved in a timely manner.

Also, proceeds should be provided to the Office Manager or Administrative Assistant by the purchaser or scrap metal vendor. Any documentation related to the sale, such as a ticket from a scrap metal vendor, should be maintained with a copy of the receipt. The proceeds, along with the appropriate documentation, should be remitted to the County Treasurer in a timely manner. Periodically, someone independent of handling the sale of materials and the collection of proceeds should compare the material records, receipts and the amounts deposited with the County Treasurer.

Response – The only way the County sells items (scrap or used materials) is at our auction in the Fall. This eliminates the issues associated with negotiating prices, accepting payments, etc. Checks and cash are handled by the auctioneer’s clerk. After they take out their commission, we receive one check for the sale.

Our crew leaders fill out forms for each project detailing equipment hours, labor hours, dates and materials used on the job. The County will incorporate a similar form that details the disposal and/or salvage of all materials from our job sites, including scrap metal, used culverts and salvaged bridge materials. It will include descriptions of the materials, dates, how much is disposed of and how much is retained for sale at our auction. The County will begin using these forms this Spring.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Adair County
 Schedule of Findings
 Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Mikkelsen, Secondary Roads Superintendent, son-in-law is part owner of R & D Services	Diesel fuel and parts	\$ 499
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	1,983
Pam Jensen, Deputy Assessor, brother-in-law is owner of Southwest Iowa Pest Control	Pest control	461
Beth McIntosh, Conservation Board part-time Secretary, Husband is owner of McIntosh Construction	Construction	1,750
Kurt Mackrill, Conservation Board Member, Owner of Jacobson's	Plumbing supplies	125

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Don Carlos Insurance and McIntosh Construction may represent conflicts of interest since the total transactions with each exceeded \$1,500 during the fiscal year.

The transactions with R & D Services, Southwest Iowa Pest Control and Jacobson’s do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each were less than \$1,500 during the fiscal year.

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

Response – The County will consult with the County Attorney. Don Carlos Insurance is the agent of record for the County’s insurance and has been even prior to the employment of the Deputy Auditor.

Conclusion – Response accepted.

Adair County

Schedule of Findings

Year ended June 30, 2013

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance 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) Financial Condition – Although the Special Revenue, Mental Health and Urban Renewal Funds had positive cash balances at June 30, 2013, the modified accrual basis unassigned fund balance deficits were \$71,695 and \$29,213, respectively.

Recommendation – The County should investigate alternatives to eliminate these deficit balances.

Response – The County is currently investigating alternatives to help eliminate these deficit balances, including applying for equalization funds for the Special Revenue, Mental Health Fund and reviewing the mandatory services and non-mandatory services. The Special Revenue, Urban Renewal Fund will start to generate revenue so the General Fund can be reimbursed and then will no longer have a deficit balance.

Conclusion – Response accepted.

- (10) Emergency Management Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted.

Recommendation – The budget should have been amended by the Emergency Management Commission in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County Auditor has informed the Emergency Management Director the budget must be amended in accordance with Chapter 24.9 of the Code of Iowa before the budget is exceeded.

Conclusion – Response accepted.

- (11) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

Adair County

Schedule of Findings

Year ended June 30, 2013

- (12) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the County overstated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$66,000. In addition, the County overstated the amount of non-rebate expenditures by \$27,521.

Recommendation – The County should ensure the TIF debt outstanding reported includes only allowable TIF debt and the amount reported as non-rebate expenditures agrees with the County's records.

Response – The County Auditor has contacted the Department of Management to discuss a misunderstanding on what needed to be reported. The error will be corrected on the next report prepared.

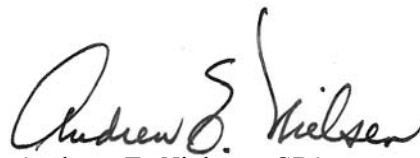
Conclusion – Response accepted.

Adair County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Tammy A. Hollingsworth, Senior Auditor II
Brandon J. Vogel, Senior Auditor
Laura M. Wernimont, Staff Auditor
Amanda L. Burt, Assistant Auditor
April D. Harbst, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State