

**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_

March 27, 2014

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$30,963,636 for the year ended June 30, 2013, which included \$991,166 in tax credits from the state. The County forwarded \$24,149,305 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,814,331 of the local tax revenue to finance County operations, a 2.3% increase over the prior year. Other revenues included charges for service of \$1,132,014, operating grants, contributions and restricted interest of \$3,777,811, capital grants, contributions and restricted interest of \$681,768, local option sales tax of \$785,610, unrestricted investment earnings of \$11,037 and other general revenues of \$190,253.

Expenses for County operations for the year ended June 30, 2013 totaled \$13,111,180, a 9.7% decrease from the prior year. Expenses included \$5,838,682 for roads and transportation, \$2,911,214 for public safety and legal services and \$1,085,679 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/1310-0079-B00F.pdf>.

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

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		48
Budget to GAAP Reconciliation		49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54-55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	56-57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	62-63
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 <u>Government Auditing Standards</u>		65-66
Schedule of Findings		67-72
Staff		73

**Poweshiek County**

**Officials**

**(Before January 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
A.S. Moffett	Board of Supervisors	Nov 2012
Trevor White	Board of Supervisors	Jan 2015
Larry Wilson	Board of Supervisors	Jan 2015
Diana Dawley	County Auditor	Jan 2013
Lana Taylor	County Treasurer	Jan 2015
Beverly Malloy	County Recorder	Jan 2015
Thomas B. Sheets	County Sheriff	Jan 2013
Rebecca Petig	County Attorney	Jan 2015
Dotty Bates	County Assessor	Jan 2016

**(After January 2013)**

Trevor White	Board of Supervisors	Jan 2015
Larry Wilson	Board of Supervisors	Jan 2015
Lamoyne Gaard	Board of Supervisors	Jan 2017
Diana Dawley	County Auditor	Jan 2017
Diana Dawley (Appointed Jan 2013)	County Treasurer	(Resigned Mar 2013)
Sandy Ross (Elected Mar 2013)	County Treasurer	Jan 2015
Beverly Malloy	County Recorder	(Resigned Jan 2013)
Diana Dawley (Appointed Feb 2013)	County Recorder	(Resigned Feb 2013)
Dianna Longhenry (Appointed Feb 2013)	County Recorder	Nov 2014
Thomas Kriegel	County Sheriff	Jan 2017
Rebecca Petig	County Attorney	Jan 2015
Dotty Bates	County Assessor	Jan 2016

**Poweshiek County**



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Independent Auditor's Report

To the Officials of Poweshiek 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 Poweshiek 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 Poweshiek 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 Poweshiek 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 24, 2014 on our consideration of Poweshiek 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 Poweshiek 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 24, 2014

**Poweshiek County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Poweshiek 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 4.3%, or approximately \$595,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$103,000, operating grants, contributions and restricted interest decreased approximately \$1,202,000 and capital grants, contributions and restricted interest increased approximately \$647,000.
- Program expenses of the County's governmental activities decreased 9.7%, or approximately \$1,414,000, from fiscal year 2012 to fiscal year 2013. Roads and transportation expenses increased approximately \$431,000, mental health expenses decreased approximately \$1,803,000, county environment and education expenses decreased approximately \$46,000 and interest on long-term debt increased approximately \$38,000.
- The County's net position increased 1.2%, or approximately \$282,000, 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 Poweshiek 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 Poweshiek County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Poweshiek 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, Secondary Roads and Urban Renewal, 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 Group Health 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. The fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the 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. Poweshiek County's combined net position at the end of fiscal year 2013 totaled approximately \$24.1 million, compared to approximately \$23.8 million at the end of fiscal year 2012. The analysis that follows focuses on the changes in the net position of governmental activities.

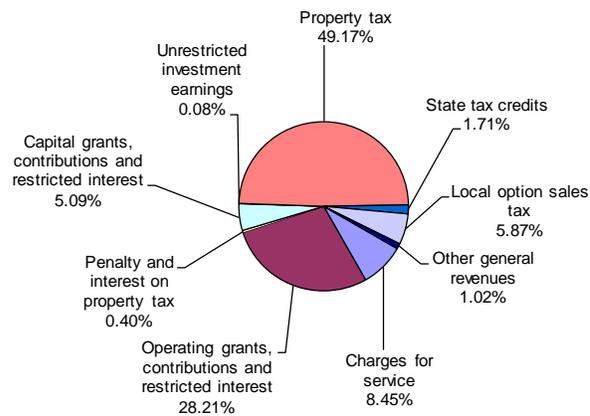
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 22,783	21,123
Capital assets	23,629	23,544
Total assets	46,412	44,667
Long-term liabilities	14,322	13,181
Other liabilities	7,965	7,643
Total liabilities	22,287	20,824
Net position:		
Net investment in capital assets	17,315	16,909
Restricted	3,852	4,215
Unrestricted	2,958	2,719
Total net position	\$ 24,125	23,843

Net position of Poweshiek County's governmental activities increased 1.2% (approximately \$23.8 million compared to approximately \$24.1 million). 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. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$2,719,000 at June 30, 2012 to approximately \$2,958,000 at the end of this year, an increase of 8.8%.

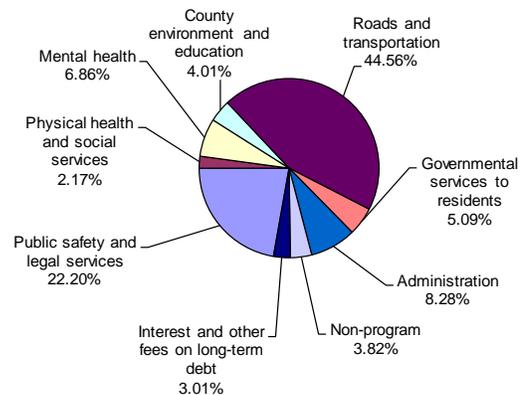
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,132	1,096
Operating grants, contributions and restricted interest	3,778	4,980
Capital grants, contributions and restricted interest	682	35
<b>General revenues:</b>		
Property tax	6,585	6,482
Tax increment financing	-	88
Penalty and interest on property tax	53	51
State tax credits	229	180
Local option sales tax	786	835
Unrestricted investment earnings	11	11
Other general revenues	137	230
<b>Total revenues</b>	<b>13,393</b>	<b>13,988</b>
<b>Program expenses:</b>		
Public safety and legal services	2,911	2,909
Physical health and social services	285	312
Mental health	900	2,703
County environment and education	526	572
Roads and transportation	5,839	5,408
Governmental services to residents	668	672
Administration	1,086	1,100
Non-program	501	492
Interest and other fees on long-term debt	395	357
<b>Total expenses</b>	<b>13,111</b>	<b>14,525</b>
<b>Change in net position</b>	<b>282</b>	<b>(537)</b>
<b>Net position beginning of year</b>	<b>23,843</b>	<b>24,380</b>
<b>Net position end of year</b>	<b>\$ 24,125</b>	<b>23,843</b>

**Revenues by Source**



**Expenses by Program**



The County decreased property tax rates for fiscal year 2013 an average of 3.13%. County wide taxable valuations in Poweshiek County have increased as follows: from \$902,648,361 in fiscal year 2011 and \$959,042,506 in fiscal year 2012 to \$1,009,405,108 in fiscal year 2013. Based on increases in the total assessed valuation and an increase in fiscal year 2014 property tax rates, property tax revenue is budgeted to increase an additional \$356,000 next year.

The cost of all governmental activities was approximately \$13.1 million compared to approximately \$14.5 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$7.5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,132,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,460,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$6,111,000 to approximately \$5,592,000, principally due to a decrease in the mental health allowed growth factor and property tax relief and an increase in the capital grants and contributions for three farm-to-market projects. The County paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other revenues, such as local option sales tax and interest.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Poweshiek County completed the year, its governmental funds reported a combined fund balance of approximately \$13.1 million, an increase of approximately \$970,000 from last year's total of approximately \$12.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$12,000 from the prior year. Expenditures decreased approximately \$110,000 compared to prior year. The ending fund balance increased approximately \$119,000 from the prior year to approximately \$2,357,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues totaled approximately \$755,000, a decrease of 62.9% from the prior year. Expenditures decreased approximately \$1,789,000 compared to the prior year. The Mental Health Fund balance at year end decreased approximately \$138,000 from the prior year.
- Special Revenue, Rural Services Fund revenues increased approximately \$200,000 compared to the prior year. Expenditures increased approximately \$15,000, a 1.5% increase from the prior year. The Rural Services Fund ending fund balance increased approximately \$2,000 from the prior year to approximately \$324,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$22,000 compared to the prior year. Expenditures increased approximately \$537,000, or 11%, over the prior year, due primarily to the purchase of a motorgrader. The Secondary Roads Fund ending fund balance decreased approximately \$41,000 from the prior year to approximately \$1,692,000.
- Special Revenue, Urban Renewal Fund revenues totaled \$21, a decrease of 100% from the prior year. Expenditures totaled \$23,621, a decrease of 71.7% from the prior year. This decrease is due to decreased payments on development agreements during the year. The Urban Renewal Fund ending fund balance decreased approximately \$24,000 from the prior year to approximately \$103,000.

- Debt Service Fund revenues increased approximately \$37,000 from the prior year. Expenditures increased approximately \$79,000 from the prior year. The ending fund balance decreased approximately \$67,000 from the prior year to approximately \$5,080,000. The ending fund balance consists mostly of funds held in escrow for the purpose of paying future principal and interest due on refunded debt on June 1, 2018.
- Capital Projects Fund expenditures increased approximately \$24,000 due to legal fees and bond costs associated with the issuance of \$1,280,000 of general obligation urban renewal notes. The ending fund balance increased approximately \$1,272,000 from the prior year due to the issuance of the notes. The notes will be used to finance reconstruction and improvements to county roads in the urban renewal area.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Poweshiek County amended its budget four times. The first amendment was made in August 2012 and resulted in an increase in budgeted receipts and disbursements, primarily due to a grant received for Public Health and use of REAP dollars. The County transferred \$210,000 to the Secondary Roads Fund from local option sales tax revenue. The second amendment was made in October 2012 and resulted in a decrease in the budget, primarily due to information received from the CPC that State revenues to Poweshiek County were cut, so corresponding expenditures were removed from the budget. The amendment also included \$10,000 for unanticipated legal fees and \$11,231 as local match for the Region 6 Housing Trust Fund, Inc. for roof or other emergency repairs for applicants who have annual incomes under 80% of the County median. The third amendment was made in February 2013, primarily for the purchase of Sheriff's equipment, an increase in legal fees for juveniles, personnel insurance, special election, grants and a decrease in roadway construction. The fourth amendment was made in May 2013 and was mainly for additional well closures, legal fees and a pass through grant.

The County's receipts were \$333,743 less than budgeted, a variance of 2.65%. The most significant variance resulted from less intergovernmental revenues being received than anticipated.

Total disbursements were \$1,210,764 less than the amended budget. Actual disbursements for the mental health, administration and public safety and legal services functions were \$428,533, \$191,647 and \$182,827, respectively, less than budgeted. This was primarily due to the State mental health bills not being paid. The County Auditor served as Treasurer from January 2013 to March 2013 without additional compensation, saving \$12,360. The County Auditor also filled in as County Recorder for the month of February, 2013 saving \$4,070. There were less expenditures charged to the IT budget due to less demand for equipment and supplies. In addition, the County replaced the Courthouse roof in 2012 and repairs were down in fiscal year 2013. Adult corrections expenses were down due to staff resignations, resulting in lower wages.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Poweshiek County had approximately \$23.6 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 \$85,000 over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 1,675	1,675
Construction in progress	679	188
Buildings and improvements	7,933	8,139
Equipment and vehicles	1,449	1,460
Infrastructure	11,893	12,082
Total	\$ 23,629	23,544

The County had depreciation expense of \$1,011,546 in fiscal year 2013 and total accumulated depreciation of \$9,055,772 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, Poweshiek County had \$12,795,000 of long-term debt outstanding, compared to \$11,845,000 at June 30, 2012.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
General obligation local option sales tax bonds	\$ 6,305	6,635
General obligation refunding bonds	5,210	5,210
General obligation urban renewal notes	1,280	-
Total	\$ 12,795	11,845

Debt increased as a result of issuing \$1,280,000 of general obligation urban renewal notes to finance reconstruction and improvements to county roads in the urban renewal area.

The County carries a general obligation bond rating of Aa3 assigned by national rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt of \$12,795,000 is significantly below its constitutional debt limit of approximately \$90 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Poweshiek County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various county activities. The Poweshiek County Board of Supervisors is committed to limiting disbursement increases and reducing funding to non-mandated programs to provide services for the citizens of Poweshiek County. The fiscal year 2014 county wide property tax rate is \$8.27268 per \$1,000 of taxable valuation, an increase of \$.161040 per \$1,000 of taxable valuation from fiscal year 2012. These factors, along with increased wage adjustments for union and pay-plan employees, represent the largest portion of the increased expenditures. The fiscal year 2014 General Fund ending fund balance is expected to be approximately \$1,476,000.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Poweshiek 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 Poweshiek County Auditor's Office, 302 East Main Street, Montezuma, Iowa 50171-0314.

## **Basic Financial Statements**

**Exhibit A**

Poweshiek County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 9,685,856
U.S. Treasury securities on deposit with escrow agent	5,052,668
Receivables:	
Property tax:	
Delinquent	2,023
Succeeding year	7,063,000
Penalty and interest on property tax	3,287
Accounts	40,917
Accrued interest	3,626
Due from other governments	437,172
Inventories	402,473
Prepaid insurance	91,958
Capital assets, net of accumulated depreciation	23,628,918
<b>Total assets</b>	<u>46,411,898</u>
<b>Liabilities</b>	
Accounts payable	277,479
Salaries and benefits payable	146,967
Due to other governments	477,861
Deferred revenue:	
Succeeding year property tax	7,063,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation local option sales tax bonds	345,000
General obligation urban renewal notes	125,000
Compensated absences	193,507
Portion due or payable after one year:	
General obligation local option sales tax bonds	5,960,000
General obligation urban renewal notes	1,155,000
General obligation refunding bonds	5,210,000
Compensated absences	30,284
Landfill postclosure care	375,000
Net OPEB liability	928,000
<b>Total liabilities</b>	<u>22,287,098</u>
<b>Net Position</b>	
Net investment in capital assets	17,315,449
Restricted for:	
Supplemental levy purposes	260,346
Rural services purposes	284,883
Secondary roads purposes	1,288,141
Capital improvements	807,219
Conservation land acquisition	21,825
Landfill postclosure care	1,034,969
Other purposes	154,094
Unrestricted	2,957,874
<b>Total net position</b>	<u>\$ 24,124,800</u>

See notes to financial statements.

Poweshiek 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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,911,214	156,435	244,764	-	(2,510,015)
Physical health and social services	284,904	26,475	261,171	-	2,742
Mental health	900,300	-	296,163	-	(604,137)
County environment and education	525,737	42,837	66,857	2,500	(413,543)
Roads and transportation	5,838,682	88,668	2,862,259	679,268	(2,208,487)
Governmental services to residents	668,081	378,035	1,242	-	(288,804)
Administration	1,085,679	89,334	-	-	(996,345)
Non-program	501,560	350,230	-	-	(151,330)
Interest on long-term debt	395,023	-	45,355	-	(349,668)
<b>Total</b>	<b>\$13,111,180</b>	<b>1,132,014</b>	<b>3,777,811</b>	<b>681,768</b>	<b>(7,519,587)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					6,585,389
Penalty and interest on property tax					52,838
State tax credits					228,942
Local option sales tax					785,610
Unrestricted investment earnings					11,037
Miscellaneous					136,743
Gain on disposition of capital assets					672
<b>Total general revenues</b>					<b>7,801,231</b>
Change in net position					281,644
Net position beginning of year					23,843,156
Net position end of year					<b>\$ 24,124,800</b>

See notes to financial statements.

Poweshiek County  
Balance Sheet  
Governmental Funds

June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 2,234,590	404,984	283,521	1,155,720
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,397	154	472	-
Succeeding year	4,007,000	441,000	2,615,000	-
Interest and penalty on property tax	3,287	-	-	-
Accounts	3,864	25,121	1,800	10,129
Accrued interest	3,617	-	-	-
Due from other governments	41,825	5,678	37,604	219,825
Interfund advance receivable	165,000	-	-	-
Inventories	-	-	-	402,473
Prepaid insurance	44,112	-	32,390	15,456
<b>Total assets</b>	<b>\$ 6,504,692</b>	<b>876,937</b>	<b>2,970,787</b>	<b>1,803,603</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 64,506	13,654	7,074	64,318
Salaries and benefits payable	66,353	9,197	23,811	47,606
Due to other governments	4,889	472,816	25	131
Interfund advance payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	4,007,000	441,000	2,615,000	-
Other	4,684	154	472	-
Total liabilities	4,147,432	936,821	2,646,382	112,055
Fund balances:				
Nonspendable:				
Inventories	-	-	-	402,473
Prepaid insurance	44,112	-	32,390	15,456
Advances to other funds	165,000	-	-	-
Restricted for:				
Supplemental levy purposes	260,346	-	-	-
Rural services purposes	-	-	292,015	-
Secondary roads purposes	-	-	-	1,273,619
Conservation land acquisition	21,825	-	-	-
Landfill postclosure care	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	6,576	-	-	-
Unassigned	1,859,401	(59,884)	-	-
Total fund balances	2,357,260	(59,884)	324,405	1,691,548
<b>Total liabilities and fund balances</b>	<b>\$ 6,504,692</b>	<b>876,937</b>	<b>2,970,787</b>	<b>1,803,603</b>

See notes to financial statements.

Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
268,332	27,675	1,293,874	2,219,637	7,888,333
-	5,052,668	-	-	5,052,668
-	-	-	-	2,023
-	-	-	-	7,063,000
-	-	-	-	3,287
3	-	-	-	40,917
-	9	-	-	3,626
-	-	-	132,240	437,172
-	-	-	-	165,000
-	-	-	-	402,473
-	-	-	-	91,958
268,335	5,080,352	1,293,874	2,351,877	21,150,457
-	-	8,627	300	158,479
-	-	-	-	146,967
-	-	-	-	477,861
165,000	-	-	-	165,000
-	-	-	-	7,063,000
-	-	-	-	5,310
165,000	-	8,627	300	8,016,617
-	-	-	-	402,473
-	-	-	-	91,958
-	-	-	-	165,000
-	-	-	-	260,346
-	-	-	-	292,015
-	-	-	-	1,273,619
-	-	-	-	21,825
-	-	-	1,409,969	1,409,969
103,335	5,080,352	-	-	5,183,687
-	-	1,285,247	793,503	2,078,750
-	-	-	148,105	154,681
-	-	-	-	1,799,517
103,335	5,080,352	1,285,247	2,351,577	13,133,840
268,335	5,080,352	1,293,874	2,351,877	21,150,457

**Poweshiek County**

Poweshiek County

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

June 30, 2013

<b>Total governmental fund balances (page 21)</b>	\$ 13,133,840
<b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>	
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 \$32,684,690 and the accumulated depreciation is \$9,055,772.	23,628,918
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	5,310
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.	1,678,523
Long-term liabilities, including notes and bonds payable, compensated absences payable, other postemployment benefits payable and landfill postclosure care payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(14,321,791)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$ 24,124,800</u></u>

See notes to financial statements.

Poweshiek County

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

Year ended June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 3,660,219	429,197	2,495,849	-
Local option sales tax	-	-	-	-
Penalty and interest on property tax	51,443	-	-	-
Intergovernmental	389,380	311,163	336,554	2,863,315
Licenses and permits	800	-	10,725	45,965
Charges for service	457,378	-	88,774	-
Use of money and property	106,429	-	-	279
Miscellaneous	90,823	14,324	16,534	58,012
<b>Total revenues</b>	<b>4,756,472</b>	<b>754,684</b>	<b>2,948,436</b>	<b>2,967,571</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,803,979	-	910,373	-
Physical health and social services	250,148	-	33,757	-
Mental health	-	892,271	-	-
County environment and education	363,689	-	60,328	-
Roads and transportation	-	-	-	5,428,293
Governmental services to residents	663,675	-	6,295	-
Administration	1,039,124	-	27,357	-
Non-program	235,808	-	-	-
Debt service	-	-	-	-
Capital projects	107,721	-	-	-
<b>Total expenditures</b>	<b>4,464,144</b>	<b>892,271</b>	<b>1,038,110</b>	<b>5,428,293</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>292,328</b>	<b>(137,587)</b>	<b>1,910,326</b>	<b>(2,460,722)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	2,419,913
Operating transfers out	(173,452)	-	(1,908,323)	-
General obligation bond proceeds	-	-	-	-
Premium on bonds sold	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(173,452)</b>	<b>-</b>	<b>(1,908,323)</b>	<b>2,419,913</b>
<b>Change in fund balances</b>	<b>118,876</b>	<b>(137,587)</b>	<b>2,003</b>	<b>(40,809)</b>
<b>Fund balances beginning of year</b>	<b>2,238,384</b>	<b>77,703</b>	<b>322,402</b>	<b>1,732,357</b>
<b>Fund balances end of year</b>	<b>\$ 2,357,260</b>	<b>(59,884)</b>	<b>324,405</b>	<b>1,691,548</b>

See notes to financial statements.

Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
-	-	-	-	6,585,265
-	-	-	785,610	785,610
-	-	-	-	51,443
-	-	-	43,660	3,944,072
-	-	-	-	57,490
-	-	-	4,444	550,596
21	45,355	-	8	152,092
-	-	-	54,874	234,567
21	45,355	-	888,596	12,361,135
-	-	-	19,964	2,734,316
-	-	-	-	283,905
-	-	-	-	892,271
23,621	-	-	16,068	463,706
-	-	-	-	5,428,293
-	-	-	4,964	674,934
-	-	-	-	1,066,481
-	-	-	-	235,808
-	716,729	23,269	-	739,998
-	-	925	58,880	167,526
23,621	716,729	24,194	99,876	12,687,238
(23,600)	(671,374)	(24,194)	788,720	(326,103)
-	604,000	-	28,500	3,052,413
-	-	-	(970,638)	(3,052,413)
-	-	1,280,000	-	1,280,000
-	-	15,725	-	15,725
-	604,000	1,295,725	(942,138)	1,295,725
(23,600)	(67,374)	1,271,531	(153,418)	969,622
126,935	5,147,726	13,716	2,504,995	12,164,218
103,335	5,080,352	1,285,247	2,351,577	13,133,840

Poweshiek 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)** \$ 969,622

**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	\$ 416,591	
Capital assets contributed by the Iowa Department of	679,268	
Depreciation expense	<u>(1,011,546)</u>	84,313

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 an increase in financial resources. 672

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. 1,519

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issues exceed repayments, as follows:

Issued	(1,280,000)	
Repaid	<u>330,000</u>	(950,000)

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	(2,079)	
Other postemployment benefits	<u>(188,839)</u>	(190,918)

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. 366,436

**Change in net position of governmental activities (page 19)** \$ 281,644

See notes to financial statements.

Poweshiek County  
Statement of Net Position  
Proprietary Fund

June 30, 2013

	<u>Internal Service - Employee Group Health</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,797,523
<b>Current Liabilities</b>	
Accounts payable	<u>119,000</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 1,678,523</u></u>

See notes to financial statements.

**Exhibit H**

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## Poweshiek County

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

Year ended June 30, 2013

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,243,594
Reimbursements from employees and others		219,825
Insurance reimbursements		<u>26,712</u>
Total operating revenues		1,490,131
Operating expenses:		
Medical claims	\$ 874,731	
Insurance premiums	204,690	
Administrative fees	48,703	
Miscellaneous	<u>6,070</u>	<u>1,134,194</u>
Operating income		355,937
Non-operating revenues:		
Interest income		<u>10,499</u>
Net income		366,436
Net position beginning of year		<u>1,312,087</u>
Net position end of year		<u>\$ 1,678,523</u>

See notes to financial statements.

## Poweshiek County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,243,594
Cash received from employees and others	246,537
Cash paid to suppliers for services	<u>(1,134,194)</u>
Net cash provided by operating activities	355,937
Cash flows from investing activities:	
Interest on investments	<u>10,499</u>
Net increase in cash and cash equivalents	366,436
Cash and cash equivalents beginning of year	<u>1,431,087</u>
Cash and cash equivalents end of year	<u><u>\$ 1,797,523</u></u>
See notes to financial statements.	

Poweshiek County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,293,264
Other County officials	34,785

Receivables:

Property tax:

Delinquent	9,181
Succeeding year	24,137,000

Accounts	39,003
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Accrued interest	1
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Succeeding year special assessments	296
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<b>Total assets</b>	<u>25,513,530</u>
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**Liabilities**

Accounts payable	5,019
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Salaries and benefits payable	11,683
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Due to other governments	25,411,184
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Trusts payable	65,910
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Compensated absences	19,734
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<b>Total liabilities</b>	<u>25,513,530</u>
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**Net position**

\$	<u><u>-</u></u>
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See notes to financial statements.

Poweshiek County

Notes to Financial Statements

June 30, 2013

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

Poweshiek 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, Poweshiek 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: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Services Commission and Poweshiek County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Drug Task Force Agreement, South Central Iowa Solid Waste Agency and Poweshiek Area Development Corporation.

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 net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consists of \$1,034,969 for landfill postclosure care.

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

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, the proprietary fund 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 to be used to fund mental health, intellectual disabilities 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 revenue and the repayment of tax increment financing indebtedness.

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

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

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 are 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 customers for sales and services. 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 March 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 Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, 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
Intangibles	\$ 100,000
Infrastructure	50,000
Land and buildings	35,000
Land improvements	25,000
Equipment and vehicles	10,000

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	25 - 50
Land improvements	10 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 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 unspent grant proceeds as well as property tax 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 that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees 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, Mental Health, Secondary Roads and Rural Services Funds.

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.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health 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. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

**(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 \$6,788,141 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes. Also, at June 30, 2013, an escrow agent held U.S. Treasury notes for the County with a carrying amount and fair value of \$5,052,668 which mature through June 1, 2017.

**(3) Interfund Assets/Liabilities**

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal	<u>\$ 165,000</u>

The General Fund advanced \$165,000 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with future tax increment financing collections.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	173,452
	Special Revenue: Rural Services	1,879,823
	Local Option Sales Tax	366,638
Sanitary Disposal	Special Revenue: Rural Services	28,500
Debt Service	Special Revenue: Local Option Sales Tax	604,000
Total		<u>\$ 3,052,413</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:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning of</u>			<u>End</u>
	<u>Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,674,691	-	-	1,674,691
Construction in progress	188,433	679,268	188,433	679,268
Total capital assets not being depreciated	<u>1,863,124</u>	<u>679,268</u>	<u>188,433</u>	<u>2,353,959</u>
Capital assets being depreciated:				
Buildings	9,623,522	-	-	9,623,522
Equipment and vehicles	6,191,640	311,871	43,401	6,460,110
Infrastructure	13,925,715	321,384	-	14,247,099
Total capital assets being depreciated	<u>29,740,877</u>	<u>633,255</u>	<u>43,401</u>	<u>30,330,731</u>
Less accumulated depreciation for:				
Buildings	1,484,332	205,752	-	1,690,084
Equipment and vehicles	4,732,171	295,135	15,842	5,011,464
Infrastructure	1,843,565	510,659	-	2,354,224
Total accumulated depreciation	<u>8,060,068</u>	<u>1,011,546</u>	<u>15,842</u>	<u>9,055,772</u>
Total capital assets being depreciated, net	<u>21,680,809</u>	<u>(378,291)</u>	<u>27,559</u>	<u>21,274,959</u>
Governmental activities capital assets, net	<u>\$23,543,933</u>	<u>300,977</u>	<u>215,992</u>	<u>23,628,918</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 216,032
Physical health and social services	1,971
Mental health	16,882
County environment and education	57,386
Roads and transportation	691,973
Administration	27,302
Total depreciation expense - governmental activities	<u>\$1,011,546</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 at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 4,889
Special Revenue:		
Mental Health	Services	472,816
Rural Services	Services	25
Secondary Roads	Services	131
Total for governmental funds		<u>\$ 477,861</u>
Agency:		
County Assessor	Collections	\$ 658,731
Schools		14,025,127
Community Colleges		1,763,385
Corporations		7,556,925
Auto License and Use Tax		457,401
All other		949,615
Total for agency funds		<u>\$ 25,411,184</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	General Obligation	General Obligation	Compen- sated Absences	Estimated Liability for Landfill Postclosure Care	Net OPEB Liability	Total
	Local Option Sales Tax Bonds	General Obligation Refunding Bonds	Urban Renewal Notes				
Balance beginning of year	\$ 6,635,000	5,210,000	-	221,712	375,000	739,161	13,180,873
Increases	-	-	1,280,000	330,697	-	410,000	2,020,697
Decreases	330,000	-	-	328,618	-	221,161	879,779
Balance end of year	<u>\$ 6,305,000</u>	<u>5,210,000</u>	<u>1,280,000</u>	<u>223,791</u>	<u>375,000</u>	<u>928,000</u>	<u>14,321,791</u>
Due within one year	\$ 345,000	-	125,000	193,507	-	-	663,507

A summary of the County's general obligation indebtedness is as follows:

Year Ending June 30,	Local Option		Refunding Bonds		Urban Renewal	
	Sales Tax Bonds				Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 345,000	260,603	-	96,757	125,000	20,291
2015	360,000	247,320	-	96,757	125,000	17,975
2016	370,000	233,280	-	96,757	125,000	16,100
2017	385,000	218,850	-	96,757	125,000	14,225
2018	400,000	203,835	505,000	96,757	130,000	12,350
2019-2023	2,775,000	855,344	2,650,000	358,270	650,000	32,695
2024-2027	1,670,000	147,851	2,055,000	136,858	-	-
Total	<u>\$ 6,305,000</u>	<u>2,167,083</u>	<u>5,210,000</u>	<u>978,913</u>	<u>1,280,000</u>	<u>113,636</u>

Principal	Total	
	Interest	Total
470,000	377,651	847,651
485,000	362,052	847,052
495,000	346,137	841,137
510,000	329,832	839,832
1,035,000	312,942	1,347,942
6,075,000	1,246,309	7,321,309
3,725,000	284,709	4,009,709
12,795,000	3,259,632	16,054,632

General Obligation Local Option Sales Tax Bonds

The County has pledged future local option sales tax receipts to repay \$7,950,000 of general obligation local option sales tax bonds issued on October 15, 2008. Proceeds from the bonds provided financing for construction of the Public Safety building. The bonds are payable through 2027, including interest at rates ranging from 3.85% to 4.40% per annum, from local option sales tax receipts. If those receipts are insufficient at March 15 for payment of principal and interest on the bonds, property tax will be levied for the next fiscal year. Annual principal and interest payments on the bonds during the current year required 77% of net receipts. The total principal and interest remaining to be paid on the bonds is \$8,472,083. For the current year, principal and interest paid and total local option sales tax receipts were \$603,308 and \$785,610, respectively.

The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will be redeemed from future local option sales tax receipts and, as needed in order to supplement the local option sales tax receipts, an annual property tax levy.
- (b) The local option sales tax receipts shall be deposited in a Local Option Sales Tax Revenue Fund (Revenue Fund), which shall be used and disbursed to pay the principal and interest on the bonds.
- (c) Sufficient transfers shall be made from the Revenue Fund to a separate bond sinking account within the Debt Service Fund for the purpose of making the bond principal and interest payments when due. No later than March 15 of each year, the Revenue Fund shall set aside sufficient revenues to pay the principal and interest coming due in the next succeeding fiscal year. If the revenues are insufficient to pay the principal and interest coming due in the next succeeding fiscal year, property tax will be levied for the next fiscal year.

During the year ended June 30, 2013, the County retired \$330,000 of general obligation local option sales tax bonds.

General Obligation Refunding Bonds

On March 29, 2012, the County issued \$5,210,000 of general obligation local option sales tax refunding bonds for the crossover advance refunding of \$4,845,000 of general obligation local option sales tax bonds dated October 15, 2008. The bonds bear interest at rates ranging from 3.85% to 4.40% per annum. The bonds will be called on June 1, 2018.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent for the express purpose of paying the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover date of June 1, 2018, the refunded general obligation bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, the local option sales tax revenues will be used to pay the general obligation refunding bonds (new debt). The transactions, balances and liabilities of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

General Obligation Urban Renewal Notes

On May 9, 2013, the County issued \$1,280,000 of general obligation urban renewal notes. The notes bear interest at rates ranging from 1.50% to 1.90%. The notes will be used to finance reconstruction and improvements to county roads in the urban renewal area.

**(8) Operating Leases**

The County has leased a copier. The future minimum rental payments for the lease are as follows:

Year Ending June 30,	Amount
2014	\$ 3,576
2015	3,576
2016	1,788
Total	<u>\$ 8,940</u>

Rental expense for the year ended June 30, 2013 for the operating lease totaled \$3,576.

**(9) 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 \$352,619, \$330,924 and \$274,901, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical, dental and vision benefits for employees, retirees and their spouses. There are 86 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 51 with 22 years of service or elected officials who must be age 57 with 8 years of service.

The health coverage, which is a self-funded health plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical, dental and vision benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. The County also offers an early retirement program to employees who were employed by the County as of December 31, 2009, which results in an explicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 408,000
Interest on net OPEB obligation	30,000
Adjustment to annual required contribution	<u>(28,000)</u>
Annual OPEB cost	410,000
Contributions made	<u>(221,161)</u>
Increase in net OPEB obligation	188,839
Net OPEB obligation beginning of year	<u>739,161</u>
Net OPEB obligation end of year	<u>\$ 928,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$221,161 to the health plan.

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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 306,000	62.0%	\$ 503,000
2012	408,000	42.1	739,000
2013	410,000	53.9	928,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$3,639,261 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,639,261. The covered payroll (annual payroll of active employees covered by the plan) was \$3,800,352 and the ratio of the UAAL to covered payroll was 95.8%. 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, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 10%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

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

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.

## **(11) 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 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, 2012 were \$194,626.

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 Lexington 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 the amount of capital distributions previously received by the withdrawing member and 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, boiler and machinery and employee blanket bond in the amount of \$1,000,000, \$1,000,000 and \$80,000, 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.

**(12) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement was effective July 1, 2010 and is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$1,243,594.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$119,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1678,523 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 119,000
Incurred claims (including claims incurred but not reported at June 30, 2013)	(874,731)
Payment on claims during the fiscal year	874,731
Unpaid claims end of year	<u>\$ 119,000</u>

**(13) Postclosure Care**

To comply with federal and state regulations, the County is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually. These costs for the Poweshiek County Sanitary Landfill have been estimated at \$375,000 as of June 30, 2013 and a liability of that amount has been recognized.

Chapter 111 of the Iowa Administrative Code has been promulgated to implement financial assurance rules. Since the Poweshiek County Sanitary Landfill stopped waste disposal prior to the Chapter 111 effective date of August 24, 1994, financial assurance is not required for the Landfill. However, the County has accumulated resources to fund postclosure care and, at June 30, 2013, deposits of \$1,409,969 for these purposes are reported in the Special Revenue, Sanitary Disposal Fund.

**(14) Development Agreements**

On July 8, 2002, the County entered into a development agreement to assist in an urban renewal project. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the construction of a corn processing facility. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$2,509,260. During the year ended June 30, 2013, \$34,226 was rebated to the developer, bringing the cumulative total to \$2,509,260.

On October 15, 2009, a public hearing was held to amend the development agreement. The amendment accommodated a new urban renewal project and extended the agreement until December 31, 2015. All other provisions of the agreement remain unchanged.

On October 15, 2009, the County entered into a development agreement to assist in an urban renewal project. The County agreed to rebate incremental property tax paid by the developer in exchange for expansion of the developer's corn seed production and construction of a new foundation plant. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in three annual payments of 75% of the incremental property tax received in fiscal year 2011, 50% of the incremental property tax received in fiscal year 2012 and 25% of the incremental property tax received in fiscal year 2013. During the year ended June 30, 2013, \$23,621 was rebated to the developer, bringing the cumulative total to \$147,281.

**(15) Special Investigation**

The County requested the Office of Auditor of State perform a special investigation of the County as a result of concerns regarding the operations of the Sheriff's Office and certain purchases and other financial transactions authorized by former County Sheriff Tom Sheets. The Auditor of State's special investigation report dated November 5, 2013 identified a loss to the County of approximately \$312,550.

Copies of the special investigation report were filed with the Poweshiek County Attorney's Office, the Attorney General's Office and the Division of Criminal Investigation.

**Required Supplementary Information**

Poweshiek 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 Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 7,332,783	7,452,512	7,452,512	(119,729)
Penalty and interest on property tax	55,260	55,153	55,153	107
Intergovernmental	3,904,260	5,275,603	4,179,342	(275,082)
Licenses and permits	57,185	15,600	15,600	41,585
Charges for service	561,606	441,371	441,371	120,235
Use of money and property	153,198	101,443	101,443	51,755
Miscellaneous	218,965	366,079	371,579	(152,614)
Total receipts	12,283,257	13,707,761	12,617,000	(333,743)
<b>Disbursements:</b>				
Public safety and legal services	2,731,159	2,880,437	2,913,986	182,827
Physical health and social services	287,682	386,406	414,406	126,724
Mental health	956,992	1,556,599	1,385,525	428,533
County environment and education	462,014	494,990	502,990	40,976
Roads and transportation	5,403,629	5,579,051	5,579,051	175,422
Governmental services to residents	675,325	734,591	754,291	78,966
Administration	1,075,331	1,234,978	1,266,978	191,647
Non-program	228,832	163,728	240,515	11,683
Debt service	716,729	603,308	603,483	(113,246)
Capital projects	163,176	820,500	250,408	87,232
Total disbursements	12,700,869	14,454,588	13,911,633	1,210,764
Excess (deficiency) of receipts over (under) disbursements	(417,612)	(746,827)	(1,294,633)	877,021
Other financing sources, net	1,282,384	-	-	1,282,384
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	864,772	(746,827)	(1,294,633)	2,159,405
Balance beginning of year	12,076,229	5,329,451	5,690,760	6,385,469
Balance end of year	\$ 12,941,001	4,582,624	4,396,127	8,544,874

See accompanying independent auditor's report.

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Poweshiek 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	\$ 12,283,257	77,878	12,361,135
Expenditures	12,700,869	(13,631)	12,687,238
Net	(417,612)	91,509	(326,103)
Other financing sources, net	1,282,384	13,341	1,295,725
Beginning fund balances	12,076,229	87,989	12,164,218
Ending fund balances	\$ 12,941,001	192,839	13,133,840

See accompanying independent auditor's report.

Poweshiek 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 the 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, four budget amendments decreased budgeted disbursements by \$542,955. 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 exceeded the amount budgeted in the debt service function.

Poweshiek 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)
2009	Jul 1, 2008	-	\$ 2,995	2,995	0.0%	\$ 3,256	92.0%
2010	Jul 1, 2008	-	2,995	2,995	0.0	3,600	83.2
2011	Jul 1, 2008	-	2,995	2,995	0.0	3,520	85.1
2012	Jul 1, 2011	-	3,639	3,639	0.0	3,587	101.5
2013	Jul 1, 2011	-	3,639	3,639	0.0	3,800	95.8

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Poweshiek County**

## **Supplementary Information**

Poweshiek County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2013

	Resource Enhancement and Protection	County Recorder's Records Management	Special County Conservation Bequest
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 22,134	22,188	35,810
Due from other governments	-	-	-
<b>Total assets</b>	<b>\$ 22,134</b>	<b>22,188</b>	<b>35,810</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Fund balances:			
Restricted for:			
Postclosure care	-	-	-
Capital improvements	-	-	-
Other purposes	22,134	22,188	35,810
Total fund balances	22,134	22,188	35,810
<b>Total liabilities and fund balances</b>	<b>\$ 22,134</b>	<b>22,188</b>	<b>35,810</b>

See accompanying independent auditor's report.

Revenue					
Conservation Easement	Special Law Enforcement	County Attorney Forfeiture	Sanitary Disposal	Local Option Sales Tax	Total
5,000	10,739	50,034	1,410,269	663,463	2,219,637
-	2,200	-	-	130,040	132,240
5,000	12,939	50,034	1,410,269	793,503	2,351,877
-	-	-	300	-	300
-	-	-	1,409,969	-	1,409,969
-	-	-	-	793,503	793,503
5,000	12,939	50,034	-	-	148,105
5,000	12,939	50,034	1,409,969	793,503	2,351,577
5,000	12,939	50,034	1,410,269	793,503	2,351,877

Poweshiek County

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

Year ended June 30, 2013

	Resource Enhancement and Protection	County Recorder's Records Management	Special County Conservation Bequest
Revenues:			
Local option sales tax	\$ -	-	-
Intergovernmental	11,352	-	-
Charges for service	-	4,444	-
Use of money and property	4	2	2
Miscellaneous	-	-	25,000
Total revenues	11,356	4,446	25,002
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	-	4,964	-
Capital projects	58,880	-	-
Total expenditures	58,880	4,964	-
Excess (deficiency) of revenues over (under) expenditures	(47,524)	(518)	25,002
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(47,524)	(518)	25,002
Fund balances beginning of year	69,658	22,706	10,808
Fund balances end of year	\$ 22,134	22,188	35,810

See accompanying independent auditor's report.

Revenue					
Conservation Easement	Special Law Enforcement	County Attorney Forfeiture	Sanitary Disposal	Local Option Sales Tax	Total
-	-	-	-	785,610	785,610
-	4,500	-	27,808	-	43,660
-	-	-	-	-	4,444
-	-	-	-	-	8
-	15,642	14,232	-	-	54,874
-	20,142	14,232	27,808	785,610	888,596
-	12,964	7,000	-	-	19,964
5,000	-	-	11,068	-	16,068
-	-	-	-	-	4,964
-	-	-	-	-	58,880
5,000	12,964	7,000	11,068	-	99,876
(5,000)	7,178	7,232	16,740	785,610	788,720
-	-	-	28,500	-	28,500
-	-	-	-	(970,638)	(970,638)
-	-	-	28,500	(970,638)	(942,138)
(5,000)	7,178	7,232	45,240	(185,028)	(153,418)
10,000	5,761	42,802	1,364,729	978,531	2,504,995
5,000	12,939	50,034	1,409,969	793,503	2,351,577

Poweshiek County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Holiday Lake RIZ	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	759	1,696	277,480	128,431
Other County officials	34,785	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	66	143	4,696
Succeeding year	-	-	188,000	411,000	13,892,000
Accounts	-	-	-	4	-
Accrued interest	-	-	-	-	-
Succeeding year special assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 34,785</b>	<b>759</b>	<b>189,762</b>	<b>688,627</b>	<b>14,025,127</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	1,866	-
Salaries and benefits payable	-	-	-	9,889	-
Due to other governments	13,202	759	189,762	658,731	14,025,127
Trusts payable	21,583	-	-	-	-
Compensated absences	-	-	-	18,141	-
<b>Total liabilities</b>	<b>\$ 34,785</b>	<b>759</b>	<b>189,762</b>	<b>688,627</b>	<b>14,025,127</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E-911 Service	Other	Total
15,746	78,294	655	457,401	183,777	149,025	1,293,264
-	-	-	-	-	-	34,785
639	3,631	3	-	-	3	9,181
1,747,000	7,475,000	226,000	-	-	198,000	24,137,000
-	-	-	-	38,999	-	39,003
-	-	-	-	1	-	1
-	-	-	-	-	296	296
<u>1,763,385</u>	<u>7,556,925</u>	<u>226,658</u>	<u>457,401</u>	<u>222,777</u>	<u>347,324</u>	<u>25,513,530</u>
-	-	-	-	2,674	479	5,019
-	-	-	-	-	1,794	11,683
1,763,385	7,556,925	226,658	457,401	220,103	299,131	25,411,184
-	-	-	-	-	44,327	65,910
-	-	-	-	-	1,593	19,734
<u>1,763,385</u>	<u>7,556,925</u>	<u>226,658</u>	<u>457,401</u>	<u>222,777</u>	<u>347,324</u>	<u>25,513,530</u>

Poweshiek County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	County Offices	Holiday Lake RIZ	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 31,956	286	184,985	668,536	13,923,569
Additions:					
Property and other county tax	-	113,105	183,748	402,060	13,533,130
E911 surcharge	-	-	-	-	-
State tax credits	-	1,937	6,247	12,477	466,434
Drivers license fees	-	-	-	-	-
Office fees and collections	497,140	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	184,992	-	-	-	-
Miscellaneous	-	-	-	141,967	-
Total additions	682,132	115,042	189,995	556,504	13,999,564
Deductions:					
Agency remittances:					
To other funds	255,347	-	-	-	-
To other governments	246,697	114,569	185,218	536,413	13,898,006
Trusts paid out	177,259	-	-	-	-
Total deductions	679,303	114,569	185,218	536,413	13,898,006
Balances end of year	\$ 34,785	759	189,762	688,627	14,025,127

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E-911 Service	Other	Total
1,785,094	7,438,432	185,701	438,915	180,826	308,520	25,146,820
1,704,966	7,141,101	108,695	-	-	200,276	23,387,081
-	-	-	-	162,244	-	162,244
58,899	213,337	2,781	-	-	112	762,224
-	-	-	225,829	-	-	225,829
-	-	-	-	-	4,492	501,632
-	-	-	5,719,286	-	-	5,719,286
-	-	-	-	-	24,725	24,725
-	-	-	-	-	485,645	670,637
-	-	-	-	1,508	104,639	248,114
1,763,865	7,354,438	111,476	5,945,115	163,752	819,889	31,701,772
-	-	-	225,829	-	-	481,176
1,785,574	7,235,945	70,519	5,700,800	121,801	781,085	30,676,627
-	-	-	-	-	-	177,259
1,785,574	7,235,945	70,519	5,926,629	121,801	781,085	31,335,062
1,763,385	7,556,925	226,658	457,401	222,777	347,324	25,513,530

Poweshiek County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 6,585,265	\$ 6,576,530	6,347,814	6,282,585
Local option sales tax	785,610	834,594	761,864	755,322
Penalty and interest on property tax	51,443	50,255	52,609	57,061
Intergovernmental	3,944,072	5,178,661	4,581,922	5,011,819
Licenses and permits	57,490	65,935	52,445	46,620
Charges for service	550,596	555,409	529,839	467,767
Use of money and property	152,092	129,898	109,600	151,385
Fines, forfeitures and defaults	-	-	14,444	4,316
Miscellaneous	234,567	219,351	119,891	169,565
<b>Total</b>	<b>\$ 12,361,135</b>	<b>13,610,633</b>	<b>12,570,428</b>	<b>12,946,440</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,734,316	2,758,405	2,473,294	2,414,629
Physical health and social services	283,905	309,654	445,992	312,200
Mental health	892,271	2,681,005	1,382,606	1,509,920
County environment and education	463,706	504,349	1,056,252	849,287
Roads and transportation	5,428,293	4,891,508	4,616,467	4,014,935
Governmental services to residents	674,934	688,105	669,096	655,085
Administration	1,066,481	1,114,457	1,018,516	1,083,437
Non-program	235,808	245,247	163,589	304,698
Debt service	739,998	637,777	607,563	603,920
Capital projects	167,526	149,099	308,256	4,376,337
<b>Total</b>	<b>\$ 12,687,238</b>	<b>13,979,606</b>	<b>12,741,631</b>	<b>16,124,448</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
5,669,326	5,492,645	4,933,991	4,650,738	4,651,096	4,578,672
802,996	-	-	-	-	-
60,255	52,631	40,051	40,140	39,701	48,489
5,227,309	4,509,555	4,665,290	4,791,515	3,808,111	4,299,715
65,864	58,143	52,630	62,216	49,213	62,408
500,071	497,291	488,223	500,260	494,394	1,340,996
311,329	371,327	441,126	369,980	191,375	81,265
28,579	203,309	-	8,693	5,058	48,279
55,049	62,291	115,596	116,206	82,234	60,738
12,720,778	11,247,192	10,736,907	10,539,748	9,321,182	10,520,562
2,157,066	2,264,699	1,935,169	1,791,672	1,542,220	1,313,854
402,357	479,545	398,508	334,567	357,886	339,050
1,664,633	1,598,022	1,504,319	1,528,126	1,521,306	1,388,723
815,862	681,074	584,009	601,071	716,213	1,337,631
4,253,034	4,216,740	4,203,984	3,971,113	3,627,542	2,424,210
653,587	621,374	558,600	769,704	436,872	390,692
944,104	932,065	1,076,972	1,004,043	1,125,483	837,374
281,254	210,928	190,702	134,434	104,066	114,127
706,663	228,624	175,144	178,253	43,234	95,482
4,146,233	746,816	280,321	209,126	270,058	715,414
16,024,793	11,979,887	10,907,728	10,522,109	9,744,880	8,956,557

**Poweshiek County**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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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 Poweshiek 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 Poweshiek 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 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Poweshiek 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 Poweshiek County's internal control. Accordingly, we do not express an opinion on the effectiveness of Poweshiek 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 deficiencies in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Poweshiek 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.

## Poweshiek County's Responses to the Findings

Poweshiek County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Poweshiek 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 Poweshiek 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 24, 2014

Poweshiek 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 activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Generally, one individual in the Recorder's Office, the Engineer's Office, the Central Point Coordinator's Office, the Conservation Office and the Sanitarian's Office may have control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. In the Recorder's Office, the mail opener does not prepare a listing of mail receipts. In addition, the Sheriff's Office bank reconciliations are not reviewed by an independent person with no responsibility for receipts and disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each County official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The County official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

An employee who is not authorized to make entries to the accounting records should open all incoming mail. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. The bank reconciliations should then be reviewed by an independent person with no responsibility for receipts and disbursements, with the review documented by the signature or initials of the reviewer and the date of the review.

Responses –

Recorder's Office – The majority of checks written from the Recorder's Office are for repayment of fees associated with a report. I have asked outside offices to assist with the review of these reports and to add initial and date of review. Currently we have two separate employees prepare deposits for two accounts and I will have the third employee verify the deposits and take them to the bank. I will have an employee from an outside office verify our cash counts on occasion and add initial and date of count.

Engineer's Office – We will continue try to have the mail opened by someone other than Laura. It is unclear at this point if this will be feasible on an ongoing basis due to the small size of the office, but we will try.

Poweshiek County

Schedule of Findings

Year ended June 30, 2013

Central Point Coordinator's (CPC) Office – There are limited office personnel in the CPC office. Most of the office revenues are set up to be direct deposited to the Treasurer's office. We may receive small payments for which the office administration receipts in, copies and then the CPC signs off on each receipt before depositing with the Treasurer. The office manager verifies the Treasurer's receipt to the book entries and then initials the receipt.

Conservation Office – Although the Conservation department has a very small staff consisting of three full time employees, our department will try to utilize the current personnel to provide additional control of funds received by our office. When receiving checks in the mail or by hand, the staff will record the check, and another staff member will sign a form acknowledging the acceptance of the check before taking the check to the Treasurer's Office for deposit. The second staff person will now compare the amount deposited with the amount received and initial the deposit receipt provided by the Treasurer's Office.

Sanitarian's Office – The office manager opens the mail and then I process the deposits and take them to the Treasurer's office. After the deposits come back from the Treasurer's Office, the office manager checks the deposits and the check register.

Conclusions – Responses acknowledged. For offices with limited staff, the offices should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Computer Systems – The County adopted a written disaster recovery plan in February 2011. However, the following key items are not included in the plan: critical applications, staff responsibilities, steps for system recovery and an inventory of hardware and software components. In addition, a copy of the plan, user documentation, policies and procedures manual and extra paper supplies are not required to be kept off site, a copy of the plan has not been provided to all appropriate personnel and the plan has not been tested.

Recommendation – A written disaster recovery plan which includes all of the identified elements should be developed. The plan should be provided to all appropriate personnel and should be periodically tested.

Response – A committee has been formed in the Courthouse to complete the written Disaster Recovery Plan. Representatives from all departments will be involved.

Conclusion – Response accepted.

Poweshiek County

Schedule of Findings

Year ended June 30, 2013

- (C) County Sheriff's K-9 and Commissary Accounts - Bank accounts for the K-9 and commissary accounts are not reconciled monthly.

Recommendation - Bank accounts should be reconciled promptly at the end of the month and the reconciliations should be reviewed by an independent person with no responsibility for receipts and disbursements. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response - This account will be reconciled monthly and reviewed by an independent person or the Sheriff. The reviewer will document by dating and signing the reconciliations.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Poweshiek 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 exceeded the amount budgeted in debt service function.

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

Response – The refunding bonds interest will be budgeted in the debt service function from now on.

Conclusion – Response accepted.

- (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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Morrison, Deputy Sheriff, Father is owner of Morrison Enterprise, Inc.	Car repair and maintenance	\$5,310

In accordance with Chapter 331.342 of the Code of Iowa, these transactions may represent a conflict of interest since the total amount exceeded \$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 regarding Chapter 331.342 of the Code of Iowa regarding business transactions between the County and County employees.

Conclusion – Response accepted.

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

- (6) Board Minutes – No transactions were found which 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 investments provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Poweshiek County

Schedule of Findings

Year ended June 30, 2013

- (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) E-911 Claims – Chapter 34A.7(4) of the Code of Iowa states, in part, “Moneys in an E911 service fund may only be used for nonrecurring and recurring costs of the E911 service plan as approved by the program manager.” Further, Chapter 34A.2(7)(e)(2) of the Code of Iowa states, in part, “Costs do not include expenditures for any other purpose, and specifically exclude costs attributable to other emergency services or expenditures for buildings or personnel, except for the costs of personnel for database management and personnel directly associated with addressing.”

The E-911 coordinator submitted a monthly claim for \$2,156 to the Board of Supervisors. The claim includes the number of hours worked and a list of tasks completed. However, the claim lacks detail of the specific hours worked on a specific day of the week and the tasks performed each day. The signed letter of understanding between the Coordinator and the E-911 Board does not include expectations for the number of hours to be worked or any documentation of the work to be done to permit the E-911 Board to manage the arrangement. Accordingly, it cannot be determined whether the services provided are allowable under the statutory language cited above.

Recommendation – Chapter 331.504(8) of the Code of Iowa requires claims, before being audited or paid, to be itemized to clearly show the basis of the claim and whether the claim was for property sold, for services rendered or for another purpose. The County received legal advice dated July 20, 2004 on this issue. The claims should have proper supporting documentation, including documentation of the work performed to allow the E-911 Board and the County Board of Supervisors to determine whether the claim meets the statutory criteria necessary for allowing payment from the E-911 Service Fund.

Response – The Poweshiek County Board of Supervisors will work with the State Auditor’s Office and the E911 Board to resolve this issue.

Conclusion – Response accepted.

- (10) County Sheriff’s K-9 and Commissary Accounts - Separate bank accounts are maintained for collections and expenditures of the K-9 Program and commissary account. As provided in Chapter 331.902 of the Code of Iowa, “Unless otherwise specifically provided by statute, the fees and charges collected by the auditor, treasurer, recorder, and sheriff, and their deputies or employees, belong to the county.” The K-9 Program and commissary account profits and expenditures were not reflected in the County’s accounting system and have not been included in the County’s annual budget or financial report.

Items, such as supplies and equipment for the jail, were purchased out of the commissary account without being included in the County budget, appropriation and disbursement process required by Chapter 331.506 of the Code of Iowa and were not filed with and properly audited by the Board of Supervisors before payment in accordance with Chapter 331.504(7) and (8) of the Code of Iowa.

Poweshiek County

Schedule of Findings

Year ended June 30, 2013

Recommendation - The Board of Supervisors should establish a maximum balance which should be kept in the commissary account to purchase resale items. All collections for the K-9 Program and commissary account profits should be remitted to the County Treasurer and all expenditures should be reflected in the County's accounting system, annual budget and financial report. Expenditures from the commissary account should only be used to replenish appropriate commissary items which are purchased by prisoners.

Response - The Sheriff's Office will work with the Board of Supervisors to establish a maximum balance that will be kept in the commissary account. All collections for the commissary account, if appropriate, will be remitted to the County Treasurer. Expenditures from this account will be used for appropriate commissary items. The K-9 account will continue to remain separate from the County Treasurer since these funds are donated.

Conclusion - Response acknowledged. Activity of the K-9 Program should be reflected in the County's accounting system, annual budget and financial report as a Special Revenue Fund of the County.

- (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.

- (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 and no exceptions were noted.

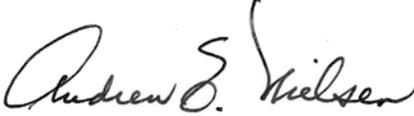
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Poweshiek County

Staff

This audit was performed by:

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Selina V. Johnson, CPA, Senior Auditor II  
Tracey L. Gerrish, Staff Auditor  
Kirstie R. Hill, Staff Auditor  
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