



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 8, 2014

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$9,299,278 for the year ended June 30, 2013, which included \$554,252 in tax credits from the state. The County forwarded \$6,809,374 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,489,904 of the local tax revenue to finance County operations, a 9.7% decrease from the prior year. Other revenues included charges for service of \$1,189,681, operating grants, contributions and restricted interest of \$3,161,866, capital grants, contributions and restricted interest of \$1,752,429, local option sales tax of \$223,325, unrestricted investment earnings of \$6,845 and other general revenues of \$124,223.

Expenses for County operations for the year ended June 30, 2013 totaled \$7,655,706, a 5.6% decrease from the prior year. Expenses included \$3,659,303 for roads and transportation, \$1,156,565 for physical health and social services and \$1,038,172 for public safety and legal services.

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/1310-0027-B00F.pdf>.

###

DECATUR 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			8-14
Basic Financial Statements:		<u>Exhibit</u>	
Government-wide Financial Statements:			
Statement of Net Position	A		16
Statement of Activities	B		17
Governmental Fund Financial Statements:			
Balance Sheet	C	18-19	
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F		24
Fiduciary Fund Financial Statement:			
Statement of Fiduciary Assets and Liabilities – Agency Funds	G		25
Notes to Financial Statements			26-38
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds			40
Budget to GAAP Reconciliation			41
Notes to Required Supplementary Information – Budgetary Reporting			42
Schedule of Funding Progress for the Retiree Health Plan			43
Supplementary Information:		<u>Schedule</u>	
Nonmajor Governmental Funds:			
Combining Balance Sheet	1	46-47	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49	
Agency Funds:			
Combining Schedule of Fiduciary Assets and Liabilities	3	50-51	
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	52-53	
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	54-55	
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>			57-58
Schedule of Findings			59-67
Staff			68

Decatur County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Morris Boswell	Board of Supervisors	Jan 2013
J. R. Cornett	Board of Supervisors	Jan 2013
Gary Boswell	Board of Supervisors	Jan 2015
Sandy Higdon	County Auditor	(Resigned Sep 2012)
Mary Andrew (Appointed)	County Auditor	(Resigned Nov 2012)
Stephanie Daughton	County Auditor	Jan 2017
Mary Andrew	County Treasurer	Jan 2015
Gale Norman	County Recorder	Jan 2015
Herbert Muir	County Sheriff	Jan 2013
Lisa Hynden Jeanes	County Attorney	Jan 2015
James Fleming	County Assessor	Jan 2016

(After January 2013)

Gary Boswell	Board of Supervisors	Jan 2015
J. R. Cornett	Board of Supervisors	Jan 2017
Jim Futon	Board of Supervisors	Jan 2017
Stephanie Daughton	County Auditor	Jan 2017
Mary Andrew	County Treasurer	Jan 2015
Gale Norman	County Recorder	Jan 2015
Herbert Muir	County Sheriff	Jan 2017
Lisa Hynden Jeanes	County Attorney	Jan 2015
James Fleming	County Assessor	Jan 2016

Decatur County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 40 through 43 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 Decatur 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 July 18, 2014 on our consideration of Decatur 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 Decatur County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur 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

- The County's governmental activities revenues increased 8.9%, or approximately \$728,000, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest increased approximately \$1,706,000.
- The County's governmental activities expenses decreased 5.6%, or approximately \$452,000, from fiscal year 2012 to fiscal year 2013. Mental health expenses decreased 61.3%, or approximately \$819,000.
- The County's net position increased 7.3%, or approximately \$1,292,000, 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 Decatur 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 Decatur 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 information about activities for which Decatur 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 two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads and 3) the Debt Service 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 are a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services 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. Decatur County's combined net position increased from approximately \$17.6 million to approximately \$18.9 million. 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	\$ 5,889	6,388
Capital assets	16,026	14,695
Total assets	<u>21,915</u>	<u>21,083</u>
Long-term liabilities	446	719
Other liabilities	2,564	2,751
Total liabilities	<u>3,010</u>	<u>3,470</u>
Net position:		
Net investment in capital assets	15,956	14,390
Restricted	2,434	2,631
Unrestricted	515	592
Total net position	<u>\$ 18,905</u>	<u>17,613</u>

Net position of Decatur County's governmental activities increased 7.3% (\$17,613,000 compared to \$18,905,000) from June 30, 2012 to June 30, 2013. The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net position invested in capital assets increased approximately \$1,566,000 due to infrastructure contributed by the State of Iowa.

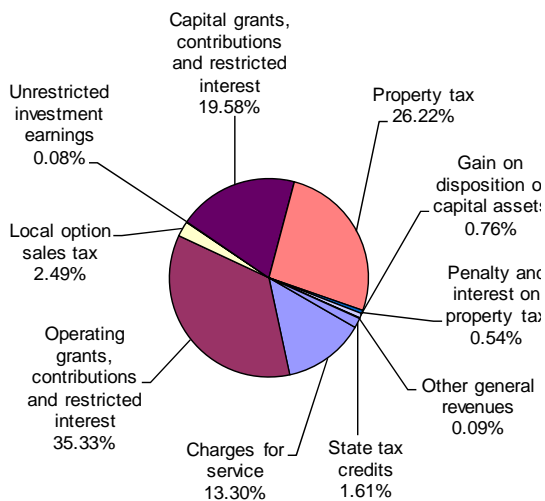
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased 7.5%, or approximately \$197,000, primarily due to decreased net position for debt service purposes.

Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements — decreased from approximately \$592,000 at June 30, 2012 to approximately \$515,000 at the end of this year, a decrease of 13%.

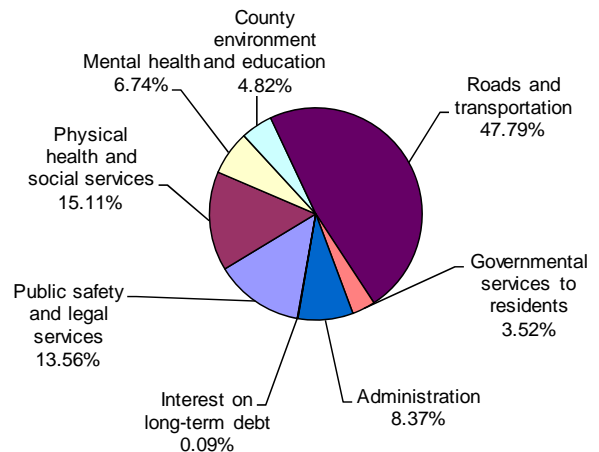
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,190	1,185
Operating grants, contributions and restricted interest	3,162	3,863
Capital grants, contributions and restricted interest	1,752	46
General revenues:		
Property tax	2,346	2,649
Penalty and interest on property tax	48	56
State tax credits	144	110
Local option sales tax	223	234
Unrestricted investment earnings	7	6
Gain on disposition of capital assets	68	15
Other general revenues	8	56
Total revenues	8,948	8,220
Program expenses:		
Public safety and legal services	1,038	999
Physical health and social services	1,157	1,198
Mental health	516	1,335
County environment and education	369	381
Roads and transportation	3,659	3,395
Governmental services to residents	269	256
Administration	641	543
Interest on long-term debt	7	1
Total expenses	7,656	8,108
Change in net position	1,292	112
Net position beginning of year	17,613	17,501
Net position end of year	\$ 18,905	17,613

Revenues by Source



Expenses by Function



Decatur County's net position of governmental activities increased approximately \$1,292,000 during the year. Revenues for governmental activities totaled approximately \$8,948,000, an increase of 8.9% over the prior year. An increase in capital grants, contributions and restricted interest of approximately \$1,706,000 was primarily due to contributions of infrastructure from the State of Iowa. Property tax revenues account for 26.2% of the governmental activities revenues.

In fiscal year 2013, the urban tax rate was \$8.48434 per \$1,000 of taxable valuation compared to the fiscal year 2012 rate of \$8.25303 per \$1,000 of taxable valuation. The rural tax rate in fiscal year 2013 was \$11.3573 per \$1,000 of taxable valuation compared to the fiscal year 2012 tax rate of \$11.24303 per \$1,000 of taxable valuation.

The cost of all governmental activities was approximately \$7.7 million for fiscal year 2013 compared to approximately \$8.1 million for fiscal year 2012. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only approximately \$1,552,000 because some of the costs were paid by those directly benefited from the programs (approximately \$1,190,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,914,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$5,094,000 to approximately \$6,104,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$3,179,868, a decrease of \$311,072 from last year's total of \$3,490,940. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$12,000, or less than 1%, over the prior year while expenditures increased approximately \$237,000, or 8.4%, over the prior year. The ending fund balance decreased approximately \$205,000 from the prior year to approximately \$1,027,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2013, expenditures totaled approximately \$165,000, a decrease of approximately \$1,170,000, or 87.6%, from the prior year. Revenues decreased approximately \$832,000, or 70.7%. The Special Revenue, Mental Health Fund balance at year end increased approximately \$179,000 to approximately \$295,000.
- The Special Revenue, Rural Services Fund balance decreased approximately \$55,000 from the prior year to approximately \$138,000. This decrease is primarily due to an increase in public safety and legal services and county environment and education expenses of approximately \$42,000 and \$40,000, respectively, netted with an overall increase in revenues of approximately \$20,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$252,000 over the prior year while revenues decreased approximately \$123,000. The decrease in revenues is primarily due to a decrease in funding from the State of Iowa. The Secondary Roads Fund balance at year end decreased approximately \$86,000, or 6.0%, to approximately \$1,346,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget one time. The amendment was made in June 2013 and resulted in a decrease in budgeted disbursements of \$311,431. The primary reason for this amendment is to reflect the decrease in costs to provide mental health services and reflect changes in budget allocations. Changes in receipts reflect the projected decline in mental health service receipts.

The County's receipts were \$697,178 less than budgeted, a variance of approximately 8.9%. Total disbursements were \$580,625, or 6.9%, less than the final amended budget. Actual disbursements for all functions were less than budgeted. Disbursements in the mental health function were \$111,737 less than the final budget due to the change in the method the State used to pay Medicaid expenses. Roads and transportation function disbursements were \$89,965 less than the final budget due to fewer disbursements for roadway maintenance, equipment and equipment operations. Disbursements in the public safety function were \$78,878 less than the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Decatur County had approximately \$16 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,331,000, or 9.1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2013	2,012
Land	\$ 2,730	2,730
Construction in progress	109	59
Buildings and improvements	1,423	1,467
Equipment and vehicles	1,133	1,069
Intangibles	520	520
Infrastructure	10,111	8,850
Total	\$ 16,026	14,695

The County had depreciation expense of \$883,159 in fiscal year 2013 and total accumulated depreciation of \$6,923,467 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, Decatur County had approximately \$69,000 of general obligation debt outstanding compared to approximately \$359,000 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expresses in Thousands)		
	June 30,	
	2013	2012
General obligation note	\$ -	230
Bank loan	69	129
Total	\$ 69	359

Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County has remained at 4.9% for the past two years. This compares with the State's unemployment rate of 4.6% and the national rate of 7.5%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Amounts available for appropriation in the fiscal year 2014 operating budget are approximately \$9,521,000, a decrease of 13.8% from the final fiscal year 2013 budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from \$2,133,137 to \$1,957,770 by the close of fiscal year 2014.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Decatur 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 Decatur County Auditor's Office, 207 N. Main Street, Leon, Iowa 50144.

Basic Financial Statements

Exhibit A

Decatur County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,576,923
Receivables:	
Property tax:	
Delinquent	44,360
Succeeding year	2,324,000
Interest and penalty on property tax	101,055
Accounts	17,548
Accrued interest	13
Due from other governments	415,626
Inventories	410,065
Capital assets, net of accumulated depreciation	16,025,781
Total assets	<u>21,915,371</u>
Liabilities	
Accounts payable	125,929
Salaries and benefits payable	69,741
Due to other governments	44,637
Deferred revenue - succeeding year property tax	2,324,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	2,258
Compensated absences	152,640
Portion due or payable after one year:	
Bank loan	66,874
Compensated absences	97,935
Net OPEB liability	126,000
Total liabilities	<u>3,010,014</u>
Net Position	
Net investment in capital assets	15,956,649
Restricted for:	
Supplemental levy purposes	441,152
Mental health purposes	279,317
Rural services purposes	139,107
Secondary roads purposes	1,185,022
Other purposes	389,296
Unrestricted	514,814
Total net position	<u>\$ 18,905,357</u>

See notes to financial statements.

Decatur County
Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Contributions and Restricted Interest	Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,038,172	117,382	10,120	-	(910,670)
Physical health and social services	1,156,565	364,338	641,282	-	(150,945)
Mental health	516,086	314,974	12,441	-	(188,671)
County environment and education	368,497	80,503	33,339	-	(254,655)
Roads and transportation	3,659,303	160,726	2,464,650	1,752,429	718,502
Governmental services to residents	269,477	134,246	32	-	(135,199)
Administration	640,898	17,512	1	-	(623,385)
Interest on long-term debt	6,708	-	1	-	(6,707)
Total	\$ 7,655,706	1,189,681	3,161,866	1,752,429	(1,551,730)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,213,969
Debt service					131,807
Penalty and interest on property tax					48,280
State tax credits					144,128
Local option sales tax					223,325
Unrestricted investment earnings					6,845
Gain on disposition of capital assets					68,183
Miscellaneous					7,760
Total general revenues					2,844,297
Change in net position					1,292,567
Net position beginning of year					17,612,790
Net position end of year					\$ 18,905,357
See notes to financial statements.					

Decatur County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,049,618	295,713	106,025
Receivables:			
Property tax:			
Delinquent	28,260	5,779	7,782
Succeeding year	1,585,000	302,000	437,000
Interest and penalty on property tax	101,055	-	-
Accounts	14,987	-	900
Accrued interest	13	-	-
Due from other funds	9,331	-	-
Due from other governments	84,233	6,239	35,804
Inventories	-	-	-
Total assets	\$ 2,872,497	609,731	587,511
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 51,846	3,977	948
Salaries and benefits payable	35,348	1,144	3,008
Due to other funds	618	-	721
Due to other governments	43,164	1,473	-
Deferred revenue:			
Succeeding year property tax	1,585,000	302,000	437,000
Other	129,315	5,779	7,782
Total liabilities	1,845,291	314,373	449,459
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	450,912	-	-
Mental health purposes	-	295,358	-
Rural services purposes	-	-	138,052
Secondary roads purposes	-	-	-
Courthouse improvements	12,711	-	-
Other purposes	-	-	-
Assigned for conservation purposes	8,670	-	-
Unassigned	554,913	-	-
Total fund balances	1,027,206	295,358	138,052
Total liabilities and fund balances	\$ 2,872,497	609,731	587,511

See notes to financial statements.

Secondary Roads	Nonmajor	Total
825,948	299,619	2,576,923
-	2,539	44,360
-	-	2,324,000
-	-	101,055
1,589	72	17,548
-	-	13
1,525	-	10,856
195,908	93,442	415,626
410,065	-	410,065
1,435,035	395,672	5,900,446
63,659	5,499	125,929
25,077	5,164	69,741
-	9,517	10,856
-	-	44,637
-	-	2,324,000
-	2,539	145,415
88,736	22,719	2,720,578
410,065	-	410,065
-	-	450,912
-	-	295,358
-	-	138,052
936,234	-	936,234
-	214,183	226,894
-	168,101	168,101
-	-	8,670
-	(9,331)	545,582
1,346,299	372,953	3,179,868
1,435,035	395,672	5,900,446

Decatur County

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

June 30, 2013

Total governmental fund balances (page 19) \$ 3,179,868

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$22,949,248 and the accumulated depreciation is \$6,923,467. 16,025,781

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 145,415

Long-term liabilities, including bank loan payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (445,707)

Net position of governmental activities (page 16) \$ 18,905,357

See notes to financial statements.

Decatur County

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

Year ended June 30, 2013

	General	Special Revenue	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,481,740	302,993	423,130
Local option sales tax	-	-	223,325
Interest and penalty on property tax	33,658	-	-
Intergovernmental	1,009,225	31,205	83,320
Licenses and permits	7,737	-	-
Charges for service	273,546	-	311
Use of money and property	4,661	8,718	-
Miscellaneous	43,785	1,360	943
Total revenues	2,854,352	344,276	731,029
Expenditures:			
Operating:			
Public safety and legal services	807,944	-	189,824
Physical health and social services	748,481	-	-
Mental health	326,176	165,209	-
County environment and education	229,009	-	134,722
Roads and transportation	-	-	-
Governmental services to residents	257,310	-	3,270
Administration	624,649	-	-
Debt service	65,617	-	-
Capital projects	-	-	-
Total expenditures	3,059,186	165,209	327,816
Excess (deficiency) of revenues over (under) expenditures	(204,834)	179,067	403,213
Other financing sources (uses):			
General obligation notes issued	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(458,000)
Total other financing sources (uses)	-	-	(458,000)
Change in fund balances	(204,834)	179,067	(54,787)
Fund balances beginning of year	1,232,040	116,291	192,839
Fund balances end of year	\$ 1,027,206	295,358	138,052

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	133,482	2,341,345
-	-	223,325
-	-	33,658
2,576,780	396,864	4,097,394
550	-	8,287
31	1,730	275,618
1,879	7	15,265
67,553	19,612	133,253
2,646,793	551,695	7,128,145
-	1,488	999,256
-	461,186	1,209,667
-	-	491,385
-	560	364,291
3,062,269	-	3,062,269
-	2,581	263,161
-	-	624,649
-	440,838	506,455
128,084	-	128,084
3,190,353	906,653	7,649,217
(543,560)	(354,958)	(521,072)
-	210,000	210,000
458,000	6,424	464,424
-	(6,424)	(464,424)
458,000	210,000	210,000
(85,560)	(144,958)	(311,072)
1,431,859	517,911	3,490,940
1,346,299	372,953	3,179,868

Decatur 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 23) \$ (311,072)

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	\$ 393,638	
Capital assets contributed by the Iowa Department of Transportation	1,751,845	
Depreciation expense	(883,159)	1,262,324

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 68,183

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

Property tax	4,431	
Other	(4,332)	99

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 the long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows:

Issued	(210,000)	
Repaid	499,747	289,747

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	(25,714)	
Other postemployment benefits	9,000	(16,714)

Change in net position of governmental activities (page 17) \$1,292,567

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 813,440
Other County officials	20,992
Receivables:	
Property tax:	
Delinquent	116,677
Succeeding year	6,397,000
Accounts	8,613
Special assessments	28,822
Total assets	7,385,544

Liabilities

Accounts payable	119
Salaries and benefits payable	1,973
Due to other governments	7,350,717
Trusts payable	28,660
Compensated absences	4,075
Total liabilities	7,385,544

Net position

\$ -

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Decatur 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, Decatur 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: Decatur County Assessor's Conference Board, Decatur County Joint E911 Service Board and Decatur County Emergency Management Commission. 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: the Wayne, Ringgold and Decatur County Solid Waste Management Commission, Southern Iowa Resource Conservation and Development Area, Inc., Southern Iowa Rural Water Association and Southern Iowa Council of Governments.

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 the following 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 of 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.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds 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.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

The government-wide 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.

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 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.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to 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.

A deficit cash balance of a fund is eliminated against cash from other funds. The balances of the interfund amounts receivable or payable at June 30, 2013 are recorded in the fund financial statements.

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

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

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

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	25,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Equipment	3 - 20
Vehicles	5 - 15
Infrastructure	10 - 65
Intangibles	5 - 20

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable 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, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash 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 \$1,774,217 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.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 9,331
Special Revenue: Secondary Roads	General	618
	Special Revenue: Rural Services	721
	Juvenile Tracking	186
		<u>1,525</u>
Total		<u>\$ 10,856</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made. Additionally, the balance results from the reclassification of a deficit cash balance in the Debt Service Fund to the General Fund for reporting purposes.

(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	Special Revenue: Rural Services	\$ 458,000
County Recorder's Electronic Transaction Fee	County Recorder's Records Management	6,424
Total		<u>\$ 464,424</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 2,730,217	-	-	2,730,217
Intangibles, road network	519,719	-	-	519,719
Construction in progress	58,546	1,860,571	1,810,391	108,726
Total capital assets not being depreciated	3,308,482	1,860,571	1,810,391	3,358,662
Capital assets being depreciated:				
Buildings	1,635,508	-	-	1,635,508
Improvements other than buildings	386,936	-	-	386,936
Equipment and vehicles	4,754,852	353,095	168,700	4,939,247
Infrastructure, road network	10,818,504	1,810,391	-	12,628,895
Total capital assets being depreciated	17,595,800	2,163,486	168,700	19,590,586
Less accumulated depreciation for:				
Buildings	454,252	34,566	-	488,818
Improvements other than buildings	101,348	9,061	-	110,409
Equipment and vehicles	3,685,309	289,971	168,700	3,806,580
Infrastructure, road network	1,968,099	549,561	-	2,517,660
Total accumulated depreciation	6,209,008	883,159	168,700	6,923,467
Total capital assets being depreciated, net	11,386,792	1,280,327	-	12,667,119
Governmental activities capital assets, net	\$14,695,274	3,140,898	1,810,391	16,025,781

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 48,635
Physical health and social services	17,073
Mental health	18,052
County environment and education	24,000
Roads and transportation	759,974
Administration	15,425
Total depreciation expense - governmental activities	\$ 883,159

(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	\$ 43,164
Special Revenue:		
Mental Health	Services	1,473
Total for governmental funds		<u>\$ 44,637</u>
Agency:		
County Assessor	Collections	\$ 413,814
Schools		4,070,717
Community Colleges		191,959
Corporations		1,286,732
Townships		135,139
Auto License and Use Tax		144,095
All other		1,108,261
Total for agency funds		<u>\$ 7,350,717</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 Notes	Bank Loan	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 230,000	128,879	224,861	135,000	718,740
Increases	210,000	-	198,481	-	408,481
Decreases	440,000	59,747	172,767	9,000	681,514
Balance end of year	\$ -	69,132	250,575	126,000	445,707
Due within one year	\$ -	2,258	152,640	-	154,898

General Obligation Notes Payable

On July 16, 2012, the County paid the \$230,000 general obligation note to Great Western Bank in full.

During the year ended June 30, 2013, the County issued \$210,000 of general obligation notes with interest at 4.5% per annum to American State Bank. The County paid the \$210,000 general obligation note in full on June 24, 2013.

Bank Loan Payable

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

Year					
Ending	Interest				
June 30,	Rate	Principal	Interest	Total	
2014	4.85%	\$ 2,258	3,350	5,608	
2015	4.85	2,372	3,236	5,608	
2016	4.85	2,483	3,125	5,608	
2017	4.85	2,616	2,992	5,608	
2018	4.85	2,748	2,860	5,608	
2019-2023	4.85	15,949	12,089	28,038	
2024-2028	4.85	20,382	7,656	28,038	
2029-2032	4.85	20,324	2,107	22,431	
Total		\$ 69,132	37,415	106,547	

On October 1, 2011, the County borrowed \$60,000 from American State Bank to purchase a building for the Public Health Department. On June 11, 2012, the County borrowed an additional \$70,000 from American State Bank to remodel the Public Health building. The bank rolled the outstanding balance of the original loan of \$58,879 with the additional \$70,000 borrowed for a new loan of \$128,879. The loan requires monthly payments of \$844 from July 1, 2012 through June 1, 2032. On May 29, 2013, the remaining principal balance was reamortized to lower the monthly payments to \$467 per month due to a payment of \$50,000 made in May 2013. The interest of 4.85% per annum and the maturity date of June 1, 2032 remain the same. During the year ended June 30, 2013, the County paid \$59,747 of principal and \$5,870 of interest on the loan.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$274,205, \$251,830 and \$216,757, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 77 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 44,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	(5,000)
Annual OPEB cost	<u>44,000</u>
Contributions made	(53,000)
Decrease in net OPEB obligation	<u>(9,000)</u>
Net OPEB obligation beginning of year	135,000
Net OPEB obligation end of year	<u><u>\$126,000</u></u>

For the year ended June 30, 2013, the County contributed \$53,000 to the medical plan. Plan members eligible for benefits did not contribute.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 45,028	0.0%	\$ 89,900
2012	45,100	0.0	135,000
2013	44,000	0.0	126,000

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial accrued liability was \$346,907, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$346,907. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,908,000 and the ratio of the UAAL to covered payroll was 11.9%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using scale AA. Protective service employees are assumed to retire at age 58 and administrative employees are assumed to retire at age 61 subject to the minimum age/service retirement eligibility.

Projected claim costs of the medical plan A are \$561 per month for retirees, \$716 for retirees plus one dependent and plan B are \$491 per month for retirees, \$634 for retirees plus one dependent. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member county is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2013, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, including the retention of the pool. The pool also purchased a reinsurance policy for property coverage for losses in excess of \$100,000 per occurrence, up to a maximum of \$30,000,000 in covered scheduled property (including the retention). In addition, the pool purchased a

reinsurance policy in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2013, 2012 and 2011, the risk pool reported a surplus of pool assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$209,839.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Decatur County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Fund Balance

The Debt Service Fund had a deficit fund balance of \$9,331 at June 30, 2013. The County will eliminate the deficit by investigating alternative ways to return the fund to a sound financial position.

Required Supplementary Information

Decatur County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$2,564,901	2,672,313	2,796,686	(231,785)
Interest and penalty on property tax	33,658	38,025	38,025	(4,367)
Intergovernmental	4,087,882	4,685,133	4,307,478	(219,596)
Licenses and permits	8,288	7,600	6,113	2,175
Charges for service	281,604	284,571	286,308	(4,704)
Use of money and property	15,953	11,937	16,353	(400)
Miscellaneous	158,432	258,994	396,933	(238,501)
Total receipts	7,150,718	7,958,573	7,847,896	(697,178)
Disbursements:				
Public safety and legal services	974,567	977,859	1,053,445	78,878
Physical health and social services	1,247,627	1,322,754	1,326,086	78,459
Mental health	688,464	1,368,966	800,201	111,737
County environment and education	392,935	389,822	461,220	68,285
Roads and transportation	3,024,062	3,266,276	3,114,027	89,965
Governmental services to residents	259,849	304,731	282,742	22,893
Administration	616,633	682,703	676,098	59,465
Nonprogram	1,200	-	11,600	10,400
Debt service	506,455	146,000	510,000	3,545
Capital projects	124,847	269,584	181,845	56,998
Total disbursements	7,836,639	8,728,695	8,417,264	580,625
Deficiency of receipts under disbursements	(685,921)	(770,122)	(569,368)	(116,553)
Other financing sources, net	210,000	184,984	210,000	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(475,921)	(585,138)	(359,368)	(116,553)
Balance beginning of year	3,052,844	2,597,362	2,992,124	60,720
Balance end of year	\$2,576,923	2,012,224	2,632,756	(55,833)

See accompanying independent auditor's report.

Decatur 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	\$ 7,150,718	(22,573)	7,128,145
Expenditures	7,836,639	(187,422)	7,649,217
Net	(685,921)	164,849	(521,072)
Other financing sources, net	210,000	-	210,000
Beginning fund balances	3,052,844	438,096	3,490,940
Ending fund balances	\$ 2,576,923	602,945	3,179,868

See accompanying independent auditor's report.

Decatur 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 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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$311,431. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

Decatur 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 282	282	0.0%	\$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.0	2,685	10.5
2012	July 1, 2009	-	282	282	0.0	2,702	10.4
2013	July 1, 2012	-	347	347	0.0	2,908	11.9

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

See accompanying independent auditor's report.

Decatur County

Supplementary Information

Decatur County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
Assets				
Cash and pooled investments	\$ 6,956	31,188	5,085	24,186
Receivables:				
Delinquent property tax	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	91,643
Total assets	\$ 6,956	31,188	5,085	115,829
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	5,464
Salaries and benefits payable	-	-	-	5,164
Due to other funds	-	-	-	186
Deferred revenue:				
Other	-	-	-	-
Total liabilities	-	-	-	10,814
Fund balances:				
Restricted for:				
Courthouse improvements	-	-	-	-
Other purposes	6,956	31,188	5,085	105,015
Unassigned	-	-	-	-
Total fund balances	6,956	31,188	5,085	105,015
Total liabilities and fund balances	\$ 6,956	31,188	5,085	115,829

See accompanying independent auditor's report.

Special Revenue					
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total
1,248	10,813	5,960	214,183	-	299,619
-	-	-	-	2,539	2,539
-	-	72	-	-	72
1,799	-	-	-	-	93,442
3,047	10,813	6,032	214,183	2,539	395,672
-	35	-	-	-	5,499
-	-	-	-	-	5,164
-	-	-	-	9,331	9,517
-	-	-	-	2,539	2,539
-	35	-	-	11,870	22,719
-	-	-	214,183	-	214,183
3,047	10,778	6,032	-	-	168,101
-	-	-	-	(9,331)	(9,331)
3,047	10,778	6,032	214,183	(9,331)	372,953
3,047	10,813	6,032	214,183	2,539	395,672

Decatur County

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

Year ended June 30, 2013

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	8,952	-	373,067
Charges for service	1,730	-	-	-
Use of money and property	2	3	-	-
Miscellaneous	-	-	-	9,223
Total revenues	1,732	8,955	-	382,290
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	454,769
County environment and education	-	560	-	-
Governmental services to residents	2,581	-	-	-
Debt service	-	-	-	-
Total expenditures	2,581	560	-	454,769
Excess (deficiency) of revenues over (under) expenditures	(849)	8,395	-	(72,479)
Other financing sources (uses):				
General obligation note issued	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(6,424)	-	-	-
Total other financing sources (uses)	(6,424)	-	-	-
Change in fund balances	(7,273)	8,395	-	(72,479)
Fund balances beginning of year	14,229	22,793	5,085	177,494
Fund balances end of year	\$ 6,956	31,188	5,085	105,015

See accompanying independent auditor's report.

Special Revenue							
Emergency Medical Services	Special Law Enforcement Proceeds	County Recorder's Electronic Transaction Fee	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total	
-	-	-	-	-	133,482	133,482	
6,400	200	-	-	-	8,245	396,864	
-	-	-	-	-	-	1,730	
-	-	-	-	1	1	7	
60	7,255	-	3,074	-	-	19,612	
6,460	7,455	-	3,074	1	141,728	551,695	
-	1,488	-	-	-	-	1,488	
6,417	-	-	-	-	-	461,186	
-	-	-	-	-	-	560	
-	-	-	-	-	-	2,581	
-	-	-	-	-	440,838	440,838	
6,417	1,488	-	-	-	440,838	906,653	
43	5,967	-	3,074	1	(299,110)	(354,958)	
-	-	-	-	210,000	-	210,000	
-	-	6,424	-	-	-	6,424	
-	-	-	-	-	-	(6,424)	
-	-	6,424	-	210,000	-	210,000	
43	5,967	6,424	3,074	210,001	(299,110)	(144,958)	
3,004	4,811	(6,424)	2,958	4,182	289,779	517,911	
3,047	10,778	-	6,032	214,183	(9,331)	372,953	

Decatur County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,350	240,172	75,481	3,535
Other County officials	20,992	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,308	3,234	73,236	3,424
Succeeding year	-	70,000	176,000	3,922,000	185,000
Accounts	109	-	-	-	-
Special assessments	-	-	-	-	-
Total assets	\$ 21,101	72,658	419,406	4,070,717	191,959
Liabilities					
Accounts payable	\$ -	-	6	-	-
Salaries and benefits payable	-	-	1,511	-	-
Due to other governments	21,101	72,658	413,814	4,070,717	191,959
Trusts payable	-	-	-	-	-
Compensated absences	-	-	4,075	-	-
Total liabilities	\$ 21,101	72,658	419,406	4,070,717	191,959

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
18,878	2,896	144,095	327,033	813,440
-	-	-	-	20,992
20,854	2,243	-	12,378	116,677
1,247,000	130,000	-	667,000	6,397,000
-	-	-	8,504	8,613
-	-	-	28,822	28,822
1,286,732	135,139	144,095	1,043,737	7,385,544
-	-	-	113	119
-	-	-	462	1,973
1,286,732	135,139	144,095	1,014,502	7,350,717
-	-	-	28,660	28,660
-	-	-	-	4,075
1,286,732	135,139	144,095	1,043,737	7,385,544

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 15,915	71,379	376,328	3,984,292	186,293
Additions:					
Property and other county tax	-	69,730	176,131	3,929,307	184,905
E911 surcharge	-	-	-	-	-
State tax credits	-	4,246	10,501	237,028	11,117
Office fees and collections	216,232	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	200,302	-	-	-	-
Miscellaneous	-	-	1,996	-	-
Total additions	416,534	73,976	188,628	4,166,335	196,022
Deductions:					
Agency remittances:					
To other funds	100,475	-	-	-	-
To other governments	114,734	72,697	145,550	4,079,910	190,356
Trusts paid out	196,139	-	-	-	-
Total deductions	411,348	72,697	145,550	4,079,910	190,356
Balances end of year	\$ 21,101	72,658	419,406	4,070,717	191,959

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,257,260	137,550	131,555	1,016,142	7,176,714
1,239,861	130,832	-	668,484	6,399,250
-	-	-	49,731	49,731
71,576	8,605	-	67,051	410,124
-	-	-	-	216,232
-	-	1,877,757	-	1,877,757
-	-	-	8,061	8,061
-	-	-	182,789	383,091
-	-	-	82,080	84,076
1,311,437	139,437	1,877,757	1,058,196	9,428,322
-	-	74,641	-	175,116
1,281,965	141,848	1,790,576	868,601	8,686,237
-	-	-	162,000	358,139
1,281,965	141,848	1,865,217	1,030,601	9,219,492
1,286,732	135,139	144,095	1,043,737	7,385,544

Decatur County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 2,341,345	2,641,230	2,385,586	2,330,691
Local option sales tax	223,325	233,863	196,528	207,294
Interest and penalty on property tax	33,658	38,698	35,276	35,905
Intergovernmental	4,097,394	4,734,628	4,663,097	4,526,232
Licenses and permits	8,287	7,041	7,462	6,997
Charges for service	275,618	276,759	298,864	261,623
Use of money and property	15,265	16,315	19,206	27,248
Miscellaneous	133,253	260,834	237,043	276,605
Total	\$ 7,128,145	8,209,368	7,843,062	7,672,595
Expenditures:				
Operating:				
Public safety and legal services	\$ 999,256	994,986	928,288	911,014
Physical health and social services	1,209,667	1,296,932	1,243,715	1,175,459
Mental health	491,385	1,335,574	1,132,926	993,984
County environment and education	364,291	385,260	348,532	364,380
Roads and transportation	3,062,269	2,714,101	2,990,872	2,988,154
Governmental services to residents	263,161	251,194	271,421	256,647
Administration	624,649	520,688	591,093	628,799
Non-program	-	-	-	-
Debt service	506,455	250	-	-
Capital projects	128,084	223,949	129,701	219,324
Total	\$ 7,649,217	7,722,934	7,636,548	7,537,761

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
2,147,097	1,917,384	1,883,153	1,818,723	1,679,263	1,734,577
194,886	210,406	221,697	181,061	197,900	141,449
35,961	34,997	31,338	32,839	34,739	35,514
4,524,871	4,575,473	4,199,531	3,887,731	3,443,926	3,692,694
4,552	3,489	4,431	2,182	1,423	1,928
260,759	297,940	270,620	291,073	201,075	215,488
32,866	97,023	109,774	97,725	71,165	47,470
196,132	179,808	210,735	154,284	121,849	145,044
7,397,124	7,316,520	6,931,279	6,465,618	5,751,340	6,014,164
889,564	896,793	841,586	800,104	750,691	729,783
1,219,969	1,241,444	1,008,891	947,087	262,646	241,225
1,096,615	1,176,131	1,099,423	1,036,031	984,180	1,401,743
357,413	301,919	300,666	246,993	294,236	271,347
2,934,283	2,726,522	2,808,097	2,709,029	2,333,815	2,863,419
255,150	240,104	218,865	356,007	231,351	203,776
594,887	578,576	581,694	571,962	485,066	503,373
7,542	-	-	-	-	-
-	80,736	68,090	76,325	73,226	74,972
27,697	64,936	123,954	130,190	116,314	100,150
7,383,120	7,307,161	7,051,266	6,873,728	5,531,525	6,389,788

Decatur County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Decatur 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 Decatur 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 July 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decatur 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 Decatur County's internal control. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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 (D) through (J) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur 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.


Decatur County's Responses to the Findings


Decatur County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Decatur 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 Decatur 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

July 18, 2014

Decatur County

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a 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. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Auditor – The duties of recording sick leave and vacation, entering payroll information, preparing and distributing payroll checks and custody of undistributed payroll checks are not segregated and there is no evidence of independent review of payroll journals. Electronic funds transfers for FICA and IPERS payments are not reviewed by an independent person. Compensated absences are not periodically reviewed by an independent person. Journal entries are not reviewed and approved by an independent person.
 - (2) Treasurer – The duties of opening the mail, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and being custodian of the change fund are not segregated. A list of checks received in the mail is periodically prepared by the mail opener, but there is no independent review or reconciliation of the initial listing. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. Additionally, the same individual who collects receipts can also void receipts and reconcile the bank account. There is no independent review of the daily motor vehicle reconciliation. A change fund for the Treasurer’s Office is shared among employees.
 - (3) Recorder – The duties of opening mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A list of checks received in the mail is not prepared by the person opening the mail. Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
 - (4) Sheriff – The duties of depositing, posting, daily reconciling and being custodian of the change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety.
 - (5) Secondary Roads Department – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and maintaining accounts receivable records are not segregated. An initial listing of mail receipts is prepared, but there is no independent review or reconciliation of the initial listing.

Decatur County

Schedule of Findings

Year ended June 30, 2013

- (6) Conservation Department – Duties of collecting and depositing receipts are not segregated. Checks received are not restrictively endorsed at the time of receipt.
- (7) Public Health Department – The duties of opening the mail, collecting, depositing, posting, daily reconciling and maintaining accounts receivable records are not segregated. An initial listing of mail receipts is prepared, but there is no independent review or reconciliation of the initial listing. The rates entered into the computer are not reviewed and approved by an independent person.

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

Responses –

Auditor – The Auditor continues to make every attempt to segregate the duties of recording sick leave and vacation, entering payroll information, preparing and distributing payroll warrants and custody of undistributed payroll warrants. Formerly the Budget/Finance Manager, and now the Auditor performs independent reviews with the Office Manager for Secondary Roads of the payroll journals, FICA and IPERS electronic funds transfers, compensated absences and journal entries. Said independent reviews are signed by the reviewer. We will amend this practice to include noting the date of the review as well.

Treasurer – As much as possible we will provide control and review of our transactions by other personnel in the courthouse. We do try to comply with segregation of duties and will try to find a way to do this more effectively.

Recorder – When the two of us are in the office, all the duties of the office are shared by us, such as disbursing of checks for monthly reports, selling hunting and fishing licenses, registration of boats, snows, atv, orv's and ohv's. We take turns opening the mail. We both record documents received by mail or over the counter. We write a receipt for everything we do.

Sheriff – Will have another dispatcher trained to do bank reconciliations and another dispatcher review them.

Secondary Roads Department – Due to staffing limitations, we are constrained as to how many reviewers we have available. This stated, all documents received and out are stamped and initialed in and checked out.

Conservation Department – We will try to comply with the above recommendations.

Decatur County

Schedule of Findings

Year ended June 30, 2013

Public Health Department – We are a small agency and do not have the resources to segregate office type issues.

Conclusions –

Public Health Department – Response acknowledged. The Department should utilize current personnel or personnel from other offices to provide additional control.

All Others - Responses accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County’s financial statements. In addition, material capital asset additions and deletions were not included in the County’s financial statements.

Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, capital asset additions and deletions are properly identified and included in the County’s financial statements.

Response – We accrue all receipts brought to the Treasurer’s office if they are marked to be accrued. We have implemented a quarterly review by all department heads of their capital assets in an effort to keep current on all receivables and capital asset additions and deletions for inclusion on the financial statement.

Conclusion – Response accepted.

- (C) Bank Reconciliations – During the year ended June 30, 2013, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2013, the book balance exceeded the bank balance by approximately \$6,700. In addition, the outstanding checks listing does not agree to the outstanding checks total on the Treasurer’s Semi-Annual report. The detailed outstanding checks listing is \$9,831 less than the amount of outstanding checks per the Treasurer’s Semi-Annual report.

Recommendation – The County should investigate and resolve variances between the detailed outstanding checks listing and the Treasurer’s Semi-Annual report timely.

Response – This is an absolute “must be done”. The Treasurer’s Office will do everything it can to help with this.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2013

- (D) Timely Deposit – Receipts were not always deposited timely. Fifteen warrants from the State of Iowa were not deposited or posted to general ledger within 15 days.

Recommendation – All money received should be deposited intact on a timely basis and posted to the general ledger.

Response – The Treasurer’s Office deposits everything received in the following day. We have no control over other offices bringing in their funds.

Conclusion – Response acknowledged. The Treasurer’s Office should work with other offices to ensure timely deposit of receipts.

- (E) Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.

Recommendation – Office procedures and accounting manuals should be prepared for all County offices.

Responses –

Treasurer – We will check with other counties and get information on developing accounting manuals for both motor vehicle and financial.

Auditor – We will work to supplement the Tyler Technologies procedures manuals we have for accounts payable and payroll processes with additional information covering the other routine procedures within our office.

Recorder – We have a fee book we enter everything we do. We have an 18 column we keep every day. We balance everyday by the receipts we write and the cash and checks we take in.

Conclusions – Responses accepted.

- (F) Computer Systems – The following weaknesses in the County’s computer systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- logging off unattended terminals or screensaver protected terminals.
- maintain security upon termination of employment.

Decatur County

Schedule of Findings

Year ended June 30, 2013

In addition, the County's disaster recovery plan for the County's computer systems does not include many key elements, such as requiring a copy of the plan be kept off site, requiring backups be kept offsite and maintenance of an inventory of all hardware components and software applications needed to reestablish operations.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over its computer systems. The County should include the suggested key elements in its written disaster recovery plan.

Response – Efforts will be made to develop written policies addressing the items listed above as well as other "best practices" related to computer security issues. In addition, the County will review its disaster recovery plan relating to our computer systems and update it to include the suggested key elements to ensure a speedy and accurate recovery of operations.

Conclusion – Response accepted.

- (G) County Sheriff – Book balances are not reconciled to the trust account listings. In addition, the County Sheriff's Office does not prepare an annual summary of receipts and disbursements.

Recommendation – Book balances should be reconciled at the end of each month to a list of trusts on hand. A worksheet summarizing the monthly receipts and disbursements for the year should be prepared.

Response – We will work on developing and utilizing a spreadsheet.

Conclusion – Response accepted.

- (H) Credit Cards – The County maintains credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for acquiring new credit cards.

Recommendation – The County should adopt a formal written policy to regulate the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use the credit cards and for what purpose, as well as the procedures for acquiring credit cards.

Response – A formal written policy regulating the authorization and use of credit cards was adopted by the Board of Supervisors on September 9, 2013. The policy addresses who controls credit cards, who is authorized to use the credit cards and for what purpose, as well as the procedures for acquiring credit cards.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2013

- (I) Employee Evaluations – Annual employee performance evaluations are not performed.

Recommendation – The County should perform annual employee performance evaluations, as stated in the County’s personnel policy.

Response – A more concerted effort to have employee evaluations occur per the County’s personnel policy will be made. Copies of such evaluations will be placed in the employee’s personnel record kept in the Auditor’s office.

Conclusion – Response accepted.

- (J) Timesheets – Department head timesheets are not always approved by the Board of Supervisors. Certain employee timesheets did not include a supervisory signature. Juvenile tracking timesheets did not always include the employee’s signature.

Recommendation – The County should ensure all timesheets are signed by the employee and are reviewed and approved by the appropriate department supervisor or Board.

Response – Efforts will continue to be made to ensure all timesheets are signed by the employee and are reviewed and approved by the appropriate department supervisor. In addition, all non-elected department heads will submit a signed timesheet to the Board for their review and approval.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County
Schedule of Findings
Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function. Disbursements in certain departments exceeded the amounts appropriated.

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

Response – Closer scrutiny of departmental disbursement totals in relation to their appropriations amounts will be made. Any increase or decrease in appropriations will be approved in advance as required by Chapter 331.343(6) of the Code of Iowa and recorded in the minutes of the Board of Supervisors.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
Dish Network	Dish service	\$ 34
Hy-Vee	Food and supplies	22

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The County should determine and document the public purpose served by these expenditures prior to authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – Closer scrutiny of expenditures like these will be made prior to payment. Where it is determined the public purpose is served, we will make every effort to ensure the public purpose served is more thoroughly documented on the claim.

Conclusion – Response accepted.

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

Decatur County

Schedule of Findings

Year ended June 30, 2013

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lori Fulkerson, Deputy Recorder, Husband owns M&M Welding	Steel	\$15,895
Mary Andrew, County Treasurer, Husband owns Bob Andrew Construction	Pond construction	8,775
Rich Erke, Conservation Director, Son owns Midwest Land Restoration	Tree removal	5,600
J.R. Cornett, Board of Supervisors, owns Carquest of Lamoni	Auto repair and supplies	1,686

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the above transactions may represent conflicts of interest since the total transactions for each vendor exceeded \$1,500 during the year and were not competitively bid.

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

Response – The County will consult legal counsel to determine the disposition of the matter.

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 that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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.

Decatur County

Schedule of Findings

Year ended June 30, 2013

- (10) Financial Condition – The Debt Service Fund had a deficit unassigned fund balance of \$9,331 at June 30, 2013.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – We are currently looking into this issue and will make adjustments as necessary.


Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Donna F. Kruger, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Tracey L. Gerrish, Staff Auditor
Laura M. Wernimont, Staff Auditor
Michael A. Chervek, Assistant Auditor
Ryan J. Magill, Assistant Auditor
Benjamin R. Salow, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State