



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

February 3, 2015

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515/281-5834

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

The County had local tax revenue of \$65,191,880 for the year ended June 30, 2014, which included \$2,112,752 in tax credits from the state. The County forwarded \$49,279,403 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$15,912,477 of the local tax revenue to finance County operations, a 2.8% increase over the prior year. Other revenues included charges for service of \$3,336,038, operating grants, contributions and restricted interest of \$6,346,294, capital grants, contributions and restricted interest of \$5,288,025, tax increment financing of \$28,799, local option sales tax of \$1,674,268, unrestricted investment earnings of \$55,968 and other general revenues of \$517,862.

Expenses for County operations for the year ended June 30, 2014 totaled \$24,652,933, a less than 1% decrease from the prior year. Expenses included \$8,871,853 for public safety and legal services, \$6,424,315 for roads and transportation and \$2,933,946 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0070-B00F.pdf>.

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**MUSCATINE COUNTY**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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**Muscatine County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Furlong	Board of Supervisors	Jan 2015
Robert Howard	Board of Supervisors	Jan 2015
Jeff Sorensen	Board of Supervisors	Jan 2015
Kas Kelly	Board of Supervisors	Jan 2017
Scott Sauer	Board of Supervisors	Jan 2017
Leslie Soule	County Auditor	Jan 2017
Jerry Coffman	County Treasurer	Jan 2015
Cindy Gray	County Recorder	Jan 2015
David White	County Sheriff	Jan 2017
Alan Ostergren	County Attorney	Jan 2015
Dale McCrea	County Assessor	Jan 2016

**Muscatine County**



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Independent Auditor's Report

To the Officials of Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2014, 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 Muscatine County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muscatine 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, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 January 8, 2015 on our consideration of Muscatine 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 Muscatine County's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 8, 2015

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of Muscatine 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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 7.8%, or approximately \$2.4 million, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest increased approximately \$2.1 million.
- Expenses of the County's governmental activities decreased .2%, or approximately \$55,000, from fiscal year 2013 to fiscal year 2014. Public safety and legal services function expenses decreased approximately \$566,000, roads and transportation function expenses increased approximately \$419,000 and physical health and social services function expenses increased approximately \$114,000.
- Muscatine County's net position increased 16.2%, or approximately \$8.5 million, from June 30, 2013 to June 30, 2014.

### **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 Muscatine 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 Muscatine 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 Muscatine 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 Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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 financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service Funds for health insurance and county insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

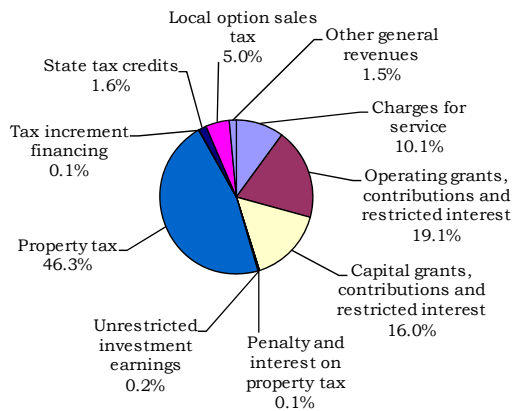
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 30,664	29,522
Capital assets	61,302	53,918
Total assets	<u>91,966</u>	<u>83,440</u>
Long-term liabilities	14,584	14,312
Other liabilities	1,155	1,425
Total liabilities	<u>15,739</u>	<u>15,737</u>
Deferred inflows of resources	<u>15,237</u>	<u>15,219</u>
Net position:		
Net investment in capital assets	49,124	42,955
Restricted	7,129	5,383
Unrestricted	4,737	4,146
Total net position	<u>\$ 60,990</u>	<u>52,484</u>

Muscatine County's total net position increased approximately \$8.5 million from fiscal year 2013 to fiscal year 2014. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$591,000 over the prior year. The increase is due primarily to decreased expenditures in the General Fund.

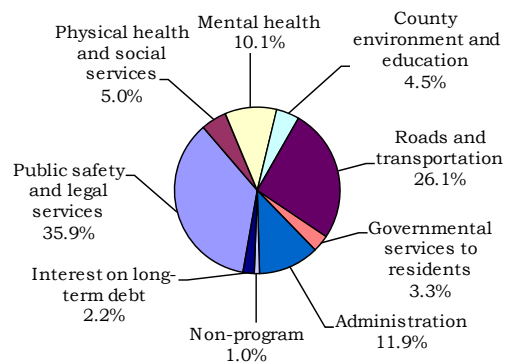
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 3,336	3,208
Operating grants, contributions and restricted interest	6,346	6,843
Capital grants, contributions and restricted interest	5,288	3,193
<b>General revenues:</b>		
Property tax	15,365	15,011
Tax increment financing	29	20
Penalty and interest on property tax	22	124
State tax credits	547	465
Local option sales tax	1,674	1,579
Unrestricted investment earnings	56	60
Other general revenues	496	246
<b>Total revenues</b>	<b>33,159</b>	<b>30,749</b>
<b>Program expenses:</b>		
Public safety and legal services	8,872	9,438
Physical health and social services	1,241	1,127
Mental health	2,485	2,602
County environment and education	1,103	1,024
Roads and transportation	6,424	6,005
Governmental services to residents	807	754
Administration	2,934	2,887
Non-program	247	339
Interest on long-term debt	540	532
<b>Total expenses</b>	<b>24,653</b>	<b>24,708</b>
<b>Change in net position</b>	<b>8,506</b>	<b>6,041</b>
<b>Net position beginning of year</b>	<b>52,484</b>	<b>46,443</b>
<b>Net position end of year</b>	<b>\$ 60,990</b>	<b>52,484</b>

**Revenues by Source**



**Expenses by Program**



Revenues for governmental activities increased approximately \$2,410,000 over the prior year, with capital grants, contributions and restricted interest increasing approximately \$2,095,000. The increase was a result of increases in capital contributions and grant reimbursements from the State of Iowa.

Muscatine County's mental health levy decreased \$.0445 per \$1,000 of taxable valuation and the debt service levy increased \$.01455 per \$1,000 of taxable valuation. The rural taxable property valuation increased \$17,543,071 and the countywide taxable property valuation increased \$13,312,239.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$13.3 million, which is higher than the combined fund balance at the end of fiscal year 2013 of approximately \$12.1 million.

- General Fund revenues and expenditures decreased approximately \$1,177,000 and \$491,000, respectively. Although tax revenue increased due to an increase in taxable property valuations, the overall decrease in revenues is primarily due to a decrease in revenue from housing federal prisoners. The decrease in prisoners resulted in a decrease in federal reimbursements and a decrease in expenditures for prisoner care and commissary activity. The fund balance at the end of the fiscal year was approximately \$6.2 million, an increase of approximately \$948,000 over the prior year.
- Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. In fiscal year 2014, revenues increased approximately \$294,000, primarily due to increased funding from the State. There were no significant changes in expenditures compared to the prior year. The fund balance at the end of the fiscal year was approximately \$2,002,000, an increase of approximately \$1,087,000 over the prior year.
- The Special Revenue, Rural Services Fund ending fund balance increased approximately \$216,000 over the prior year to approximately \$691,000. Revenues increased approximately \$48,000, primarily due to an increase in taxable property valuations. There were no significant changes in expenditures or transfers out.
- The Special Revenue, Secondary Roads Fund ending fund balance decreased approximately \$511,000 from the prior year to approximately \$2.5 million. Revenues increased approximately \$1,021,000, primarily due to increases in local option sales tax revenue and federal reimbursements for a bridge project. Expenditures increased approximately \$2,094,000, primarily due to an increase in activity related to federal disasters, roads and bridge projects.
- The Debt Service Fund ending fund balance increased approximately \$310,000 over the prior year to approximately \$847,000. Payments from the Debt Service Fund include principal and interest payments for the remodeling of the County Administration Building, County jail expansion/remodel, Courthouse HVAC replacement, courthouse window replacement and County building improvements.
- The Capital Projects Fund ending fund balance decreased approximately \$898,000 from the prior year to approximately \$766,000.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Internal Service and Agency Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis.

Over the course of the year, Muscatine County amended the operating budget three times. The amendments were made in September 2013, March 2014 and June 2014.

The first amendment primarily decreased receipts and disbursements for the jail and increased budgeted disbursements for the capital projects function for prior year projects carried into the current year. The second amendment reduced budgeted federal inmate receipts and jail disbursements, increased budgeted disbursements for court ordered juvenile expense, decreased budgeted administration function disbursements for a decrease in workers compensation premiums and increased budgeted capital projects function disbursements for projects paid from fund balances. The third amendment increased budgeted receipts \$110,714 for fine collections and public health grants and increased budgeted disbursements \$59,437. The largest increases were in the public safety and legal services and physical health and social services functions for county attorney, jail commissary and substance abuse treatment expenses.

The County's receipts were approximately \$184,000 more than budgeted, a variance of 0.7%. Total disbursements were approximately \$3.7 million less than the amended budget. Disbursements for the mental health function were approximately \$665,000 less than budgeted, primarily due to the continuing regionalization of mental health. Disbursements for the roads and transportation and capital projects functions were approximately \$737,000 and \$1,070,000, respectively, less than budgeted due to projects extending into fiscal year 2015.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2014, Muscatine County had approximately \$96.7 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. With total accumulated depreciation of approximately \$35.4 million, Muscatine County's capital assets have a net value of approximately \$61.3 million. This is a net increase of approximately \$7.4 million over fiscal year 2013. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At the end of fiscal year 2014, Muscatine County had \$13,063,528 of long term debt outstanding, compared to \$12,807,056 at the end of fiscal year 2013.

Muscatine County's outstanding debt increased as a result of the issuance of a general obligation note of \$1,350,000 for improvements and repairs to County buildings offset by scheduled principal repayments made in the current year. Muscatine County's general obligation bond rating continues to be the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Muscatine County's outstanding general obligation debt of \$15,664,322, including a development agreement of \$2,600,794, is significantly below its constitutional debt limit of approximately \$144 million. Additional information about the County's long-term debt is presented in Note 7 of the financial statements.

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

Muscatine County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget and tax rates and the fees charged for various County activities. The amount available for appropriation in the fiscal year 2015 operating budget is approximately \$37.8 million, a decrease of 7.8% from the final fiscal year 2014 budget. Muscatine County's other operating fund balances are expected to decrease approximately \$1.4 million to approximately \$8.1 million by the close of fiscal year 2015.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Muscatine 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 Sherry Seright at the Muscatine County Administration Office, 414 East 3rd Street, Suite 101, Muscatine, Iowa, 52761.



## **Basic Financial Statements**

**Exhibit A**

Muscatine County  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 13,838,975
Receivables:	
Property tax:	
Delinquent	64,000
Succeeding year	15,031,000
Succeeding year tax increment financing	35,000
Interest and penalty on property tax	162,000
Accounts	126,903
Accrued interest	8,675
Due from other governments	1,124,719
Inventories	131,911
Prepaid expenses	141,240
Capital assets (net of accumulated depreciation/amortization)	61,301,626
<b>Total assets</b>	<u>91,966,049</u>
<b>Liabilities</b>	
Accounts payable	897,186
Accrued interest payable	39,831
Salaries and benefits payable	135,344
Advances from grantors	23,609
Due to other governments	59,198
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	3,528
General obligation bonds/notes	1,105,000
Compensated absences	596,450
Portion due or payable after one year:	
General obligation bonds/notes	11,955,000
Compensated absences	690,817
Net OPEB liability	232,714
<b>Total liabilities</b>	<u>15,738,677</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	15,202,000
Unavailable tax increment financing revenue	35,000
<b>Total deferred inflows of resources</b>	<u>15,237,000</u>
<b>Net Position</b>	
Net investment in capital assets	49,124,438
Restricted for:	
Supplemental levy purposes	1,628,298
Mental health purposes	1,911,927
Rural services purposes	672,059
Secondary roads purposes	2,476,465
Conservation land acquisition	86,205
Debt service	160,315
Other purposes	193,619
Unrestricted	4,737,046
<b>Total net position</b>	<u>\$ 60,990,372</u>

See notes to financial statements.

Muscatine County

Statement of Activities

Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 8,871,853	1,899,941	629,155	-	(6,342,757)
Physical health and social services	1,240,731	85,923	294,062	-	(860,746)
Mental health	2,484,847	72,453	1,459,508	-	(952,886)
County environment and education	1,102,701	54,982	37,731	46,368	(963,620)
Roads and transportation	6,424,315	6,213	2,948,503	5,241,657	1,772,058
Governmental services to residents	806,957	219,163	28,824	-	(558,970)
Administration	2,933,946	408,655	165,521	-	(2,359,770)
Non-program	247,167	588,708	-	-	341,541
Interest on long-term debt	540,416	-	782,990	-	242,574
<b>Total</b>	<b>\$ 24,652,933</b>	<b>3,336,038</b>	<b>6,346,294</b>	<b>5,288,025</b>	<b>(9,682,576)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					14,564,979
Debt service					800,391
Tax increment financing					28,799
Penalty and interest on property tax					21,666
State tax credits					547,107
Local option sales tax					1,674,268
Unrestricted investment earnings					55,968
Gain on disposition of capital assets					392,660
Miscellaneous					103,536
<b>Total general revenues</b>					<b>18,189,374</b>
<b>Change in net position</b>					<b>8,506,798</b>
<b>Net position beginning of year</b>					<b>52,483,574</b>
<b>Net position end of year</b>					<b>\$ 60,990,372</b>

See notes to financial statements.

Muscatine County  
Balance Sheet  
Governmental Funds

June 30, 2014

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,275,206	2,109,696	710,883
Receivables:			
Property tax:			
Delinquent	44,000	8,000	9,000
Succeeding year	10,315,000	1,912,000	1,873,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	162,000	-	-
Accounts	68,650	2,716	3,546
Accrued interest	8,675	-	-
Due from other funds	3,808	-	-
Due from other governments	280,835	19,242	800
Inventories	-	-	-
Prepaid expenditures	141,240	-	-
<b>Total assets</b>	<b>\$ 17,299,414</b>	<b>4,051,654</b>	<b>2,597,229</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 210,678	83,597	1,342
Salaries and benefits payable	100,804	2,265	1,095
Advances from grantors	-	-	-
Due to other funds	11,527	3,808	268
Due to other governments	40,549	17,831	578
<b>Total liabilities</b>	<b>363,558</b>	<b>107,501</b>	<b>3,283</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	10,434,000	1,934,000	1,894,000
Succeeding year tax increment financing	-	-	-
Other	263,553	8,000	9,000
<b>Total deferred inflows of resources</b>	<b>10,697,553</b>	<b>1,942,000</b>	<b>1,903,000</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	141,240	-	-
Restricted for:			
Supplemental levy purposes	1,736,001	-	-
Mental health purposes	-	2,002,153	-
Rural services purposes	-	-	690,946
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	46,601	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Assigned:			
Building maintenance	350,000	-	-
Debt service	-	-	-
Unassigned	3,964,461	-	-
<b>Total fund balances</b>	<b>6,238,303</b>	<b>2,002,153</b>	<b>690,946</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 17,299,414</b>	<b>4,051,654</b>	<b>2,597,229</b>

See notes to financial statements.

Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
2,071,730	786,160	907,768	197,008	13,058,451
-	3,000	-	-	64,000
-	931,000	-	-	15,031,000
-	-	-	35,000	35,000
-	-	-	-	162,000
92	-	-	-	75,004
-	-	-	-	8,675
11,795	-	-	-	15,603
751,181	69,986	-	2,675	1,124,719
131,911	-	-	-	131,911
-	-	-	-	141,240
<u>2,966,709</u>	<u>1,790,146</u>	<u>907,768</u>	<u>234,683</u>	<u>29,847,603</u>
151,324	-	141,428	3,095	591,464
28,211	-	-	2,969	135,344
23,609	-	-	-	23,609
-	-	-	-	15,603
240	-	-	-	59,198
<u>203,384</u>	<u>-</u>	<u>141,428</u>	<u>6,064</u>	<u>825,218</u>
-	940,000	-	-	15,202,000
-	-	-	35,000	35,000
247,761	3,000	-	600	531,914
<u>247,761</u>	<u>943,000</u>	<u>-</u>	<u>35,600</u>	<u>15,768,914</u>
131,911	-	-	-	131,911
-	-	-	-	141,240
-	-	-	-	1,736,001
-	-	-	-	2,002,153
-	-	-	-	690,946
2,383,653	-	-	-	2,383,653
-	-	-	-	46,601
-	197,146	-	-	197,146
-	-	766,340	-	766,340
-	-	-	193,019	193,019
-	-	-	-	350,000
-	650,000	-	-	650,000
-	-	-	-	3,964,461
<u>2,515,564</u>	<u>847,146</u>	<u>766,340</u>	<u>193,019</u>	<u>13,253,471</u>
<u>2,966,709</u>	<u>1,790,146</u>	<u>907,768</u>	<u>234,683</u>	<u>29,847,603</u>

**Muscatine County**

Muscatine County

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

June 30, 2014

<b>Total governmental fund balances (page 19)</b>	\$ 13,253,471
<b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$96,699,319 and the accumulated depreciation/amortization is \$35,397,693.	61,301,626
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	531,914
The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and county insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position.	526,701
Long-term liabilities, including capital lease purchase agreement payable, bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(14,623,340)</u>
<b>Net position of governmental activities (page 16)</b>	<u><u>\$ 60,990,372</u></u>

See notes to financial statements.

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

Year ended June 30, 2014

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 10,712,727	1,958,618	1,889,634
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	26,500	-	-
Intergovernmental	2,473,329	1,451,892	87,001
Licenses and permits	100	-	72,860
Charges for service	966,801	72,454	-
Use of money and property	537,210	-	-
Miscellaneous	249,430	8,720	850
<b>Total revenues</b>	<b>14,966,097</b>	<b>3,491,684</b>	<b>2,050,345</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	8,472,060	-	-
Physical health and social services	1,101,287	-	64,453
Mental health	77,337	2,404,355	-
County environment and education	702,331	-	292,654
Roads and transportation	-	-	-
Governmental services to residents	776,507	-	2,562
Administration	2,575,095	-	-
Debt service	-	-	-
Capital projects	124,739	-	-
<b>Total expenditures</b>	<b>13,829,356</b>	<b>2,404,355</b>	<b>359,669</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,136,741</b>	<b>1,087,329</b>	<b>1,690,676</b>
<b>Other financing sources (uses):</b>			
Sale of capital assets	81,562	-	-
Transfers in	35,062	-	-
Transfers out	(305,000)	-	(1,475,062)
General obligation notes issued	-	-	-
<b>Total other financing sources (uses)</b>	<b>(188,376)</b>	<b>-</b>	<b>(1,475,062)</b>
<b>Change in fund balances</b>	<b>948,365</b>	<b>1,087,329</b>	<b>215,614</b>
<b>Fund balances beginning of year</b>	<b>5,289,938</b>	<b>914,824</b>	<b>475,332</b>
<b>Fund balances end of year</b>	<b>\$ 6,238,303</b>	<b>2,002,153</b>	<b>690,946</b>

See notes to financial statements.



Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
-	800,173	-	-	15,361,152
1,674,268	-	-	-	1,674,268
-	-	-	28,799	28,799
-	-	-	-	26,500
3,889,845	811,273	-	23,400	8,736,740
6,050	-	-	-	79,010
163	-	-	6,475	1,045,893
-	-	-	-	537,210
23,154	-	-	67,308	349,462
5,593,480	1,611,446	-	125,982	27,839,034
-	-	-	30,456	8,502,516
-	-	-	-	1,165,740
-	-	-	-	2,481,692
-	-	-	17,667	1,012,652
5,123,328	-	-	-	5,123,328
-	-	-	4,500	783,569
-	-	-	-	2,575,095
-	1,601,359	-	28,799	1,630,158
2,423,102	-	2,248,191	-	4,796,032
7,546,430	1,601,359	2,248,191	81,422	28,070,782
(1,952,950)	10,087	(2,248,191)	44,560	(231,748)
2,000	-	-	-	83,562
1,440,000	300,000	-	5,000	1,780,062
-	-	-	-	(1,780,062)
-	-	1,350,000	-	1,350,000
1,442,000	300,000	1,350,000	5,000	1,433,562
(510,950)	310,087	(898,191)	49,560	1,201,814
3,026,514	537,059	1,664,531	143,459	12,051,657
2,515,564	847,146	766,340	193,019	13,253,471

Muscatine County

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

Year ended June 30, 2014

**Change in fund balances - Total governmental funds (page 23)** \$ 1,201,814

**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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 5,453,161	
Capital assets contributed by the Iowa Department of Transportation	4,127,817	
Depreciation/amortization expense	(2,506,218)	7,074,760

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. 309,098

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

Property tax	4,218	
Other	210,995	215,213

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(1,350,000)	
Repaid	1,093,528	(256,472)

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	15,029	
Other postemployment benefits	(29,869)	
Interest on long-term debt	(258)	(15,098)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and county insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. (22,517)

**Change in net position of governmental activities (page 17)** \$ 8,506,798

See notes to financial statements.

Muscatine County  
Statement of Net Position  
Proprietary Funds

June 30, 2014

	<u>Internal Service</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 780,524
Accounts receivable	51,899
<b>Total assets</b>	<u>832,423</u>
<b>Liabilities</b>	
Accounts payable	<u>305,722</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 526,701</u>

See notes to financial statements.

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

Year ended June 30, 2014

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 2,062,869
Reimbursements from employees and others	349,689
Total operating revenues	<u>2,412,558</u>
Operating expenses:	
Health claims and administrative services	\$ 2,385,373
Loss contingencies and deductibles	49,702
	<u>2,435,075</u>
Operating loss	(22,517)
Net position beginning of year	<u>549,218</u>
Net position end of year	<u><u>\$ 526,701</u></u>
See notes to financial statements.	

Muscatine County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2014

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,062,869
Cash received from employees and others	333,739
Cash paid to suppliers for services	<u>(2,379,742)</u>
Net cash provided by operating activities	16,866
Cash and cash equivalents beginning of year	<u>763,658</u>
Cash and cash equivalents end of year	<u><u>\$ 780,524</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (22,517)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in accounts receivable	(15,951)
Increase in accounts payable	<u>55,334</u>
Net cash provided by operating activities	<u><u>\$ 16,866</u></u>

See notes to financial statements.

Muscatine County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2014

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 3,484,696
Other County officials	800,412

Receivables:

Property tax:	
Delinquent	171,711
Succeeding year	45,568,000
Accounts	31,374
Assessments	225,070
Due from other governments	129,533

<b>Total assets</b>	<u>50,410,796</u>
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**Liabilities**

Accounts payable	48,755
Salaries and benefits payable	18,493
Due to other governments	49,012,813
Trusts payable	1,213,126
Compensated absences	117,609

<b>Total liabilities</b>	<u>50,410,796</u>
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**Net position**

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

Muscatine County

Notes to Financial Statements

June 30, 2014

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

Muscatine 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, Muscatine 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: Muscatine County Assessor's Conference Board, Muscatine County Emergency Management Commission, Great River Bend Area Agency on Aging, Muscatine County Joint E911 Service Board and Muscatine County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Veterans' Plaza Authority, Bi-State Regional Planning Commission, Muscatine County Solid Waste Management Agency, Muscatine Area Geographic Information Consortium, Muscatine County Joint Communications Commission, Iowa Precinct Atlas Consortium, Muscatine County Drug Task Force and Job Training Partnership Act Quality Jobs Program.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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



Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 Funds and other revenues to be used for secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

Assessments Receivable – Assessments receivable represent amounts assessed to individuals for work done which benefit 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. Assessments receivable represent assessments which are due and payable 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, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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, 1980 (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	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	10 - 65
Buildings and improvements	20 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

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.

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County, but will be spent in succeeding fiscal years.

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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

Deferred Inflows of Resources – 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of property tax and tax increment financing receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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 County intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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

#### E. Budgets and Budgetary Accounting

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

### **(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2014 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 3,808
Special Revenue: Secondary Roads	General	11,527
	Special Revenue: Rural Services	268
Total		<u>\$ 15,603</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.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Rural Services	\$ 35,062
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,440,000
Conservation Youth Corp	General	5,000
Debt Service	General	300,000
Total		<u>\$ 1,780,062</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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,958,235	62,350	-	2,020,585
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	2,559,741	2,142,607	(4,044,811)	657,537
Construction in progress, road network	385,685	6,491,190	(4,711,900)	2,164,975
Total capital assets not being depreciated/amortized	6,099,374	8,696,147	(8,756,711)	6,038,810
Capital assets being depreciated/amortized:				
Buildings and improvements	31,594,407	3,762,782	(154,000)	35,203,189
Equipment and vehicles	7,320,571	1,229,376	(1,015,158)	7,534,789
Intangibles	347,771	-	-	347,771
Infrastructure, road network	41,824,156	4,711,900	-	46,536,056
Infrastructure, other	703,870	334,834	-	1,038,704
Total capital assets being depreciated/amortized	81,790,775	10,038,892	(1,169,158)	90,660,509
Less accumulated depreciation/amortization for:				
Buildings and improvements	11,266,992	607,542	(154,000)	11,720,534
Equipment and vehicles	4,899,053	645,459	(926,906)	4,617,606
Intangibles	282,211	44,574	-	326,785
Infrastructure, road network	17,222,829	1,166,618	-	18,389,447
Infrastructure, other	301,296	42,025	-	343,321
Total accumulated depreciation/amortization	33,972,381	2,506,218	(1,080,906)	35,397,693
Total capital assets being depreciated/amortized, net	47,818,394	7,532,674	(88,252)	55,262,816
Governmental activities capital assets, net	\$ 53,917,768	16,228,821	(8,844,963)	61,301,626

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 489,876
Physical health and social services	12,684
Mental health	52,184
County environment and education	96,696
Roads and transportation	1,666,282
Governmental services to residents	676
Administration	187,820
Total depreciation/amortization expense - governmental activities	<u>\$ 2,506,218</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 40,549
Special Revenue:		
Mental Health	Services	17,831
Rural Services	Services	578
Secondary Roads	Services	240
		<u>18,649</u>
Total for governmental funds		<u>\$ 59,198</u>
Agency:		
County Assessor	Collections	\$ 743,336
Schools		26,908,620
Community Colleges		1,634,645
Corporations		16,713,456
Townships		439,629
Auto License and Use Tax		986,946
Drainage Districts		806,126
All other		780,055
Total for agency funds		<u>\$ 49,012,813</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Capital Lease Purchase Agreement	General Obligation County Building Improvement Note	General Obligation Courthouse Geothermal Notes	General Obligation County Building Improvement Note	General Obligation County Building Improvement Note
Balance beginning of year	\$ 7,056	3,375,000	665,000	300,000	-
Increases	-	-	-	-	1,350,000
Decreases	3,528	375,000	95,000	100,000	135,000
Balance end of year	<u>\$ 3,528</u>	<u>3,000,000</u>	<u>570,000</u>	<u>200,000</u>	<u>1,215,000</u>
Due within one year	<u>\$ 3,528</u>	<u>375,000</u>	<u>95,000</u>	<u>100,000</u>	<u>135,000</u>

	General Obligation Urban Renewal Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 8,460,000	1,302,296	202,845	14,312,197
Increases	-	790,957	68,452	2,209,409
Decreases	385,000	805,986	38,583	1,938,097
Balance end of year	<u>\$ 8,075,000</u>	<u>1,287,267</u>	<u>232,714</u>	<u>14,583,509</u>
Due within one year	<u>\$ 400,000</u>	<u>596,450</u>	<u>-</u>	<u>1,704,978</u>



Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement for a copy machine for the County Sheriff. The agreement requires no interest and the present value of net minimum lease payments under the agreement at June 30, 2014 is as follows:

Year Ending June 30,	Amount
2015	\$ 3,528

Payments under the capital lease purchase agreement totaled \$3,528 for the year ended June 30, 2014.

Notes Payable

A summary of the County's June 30, 2014 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	County Building Improvement Note		
		Principal	Interest	Total
2015	1.50%	\$ 375,000	45,000	420,000
2016	1.50	375,000	39,375	414,375
2017	1.50	375,000	33,750	408,750
2018	1.50	375,000	28,125	403,125
2019	1.50	375,000	22,500	397,500
2020-2021	1.50	1,125,000	33,750	1,158,750
Total		\$ 3,000,000	202,500	3,202,500

Year Ending June 30,	Interest Rates	Courthouse Geothermal Notes		
		Principal	Interest	Total
2015	3.00%	\$ 95,000	20,710	115,710
2016	3.40	95,000	17,860	112,860
2017	3.60	95,000	14,630	109,630
2018	3.80	95,000	11,210	106,210
2019	4.00	95,000	7,600	102,600
2020	4.00	95,000	3,800	98,800
Total		\$ 570,000	75,810	645,810

Year Ending June 30,	Interest Rate	County Building Improvement Note		
		Principal	Interest	Total
2015	1.45%	\$ 100,000	2,940	102,940
2016	1.45	100,000	1,474	101,474
Total		\$ 200,000	4,414	204,414

Year Ending June 30,	Interest Rates	County Building Improvement Note		
		Principal	Interest *	Total
2015	.90%	\$ 135,000	22,680	157,680
2016	1.10	135,000	21,466	156,466
2017	1.30	135,000	19,980	154,980
2018	1.55	135,000	18,226	153,226
2019	1.95	135,000	16,132	151,132
2020-2024	2.20-2.80	540,000	35,100	575,100
Total		\$ 1,215,000	133,584	1,348,584

During the year ended June 30, 2014, the County issued a \$1,350,000 general obligation note for improvements to County buildings. The County retired \$705,000 of general obligation notes during the year.

General Obligation Urban Renewal Bonds

A summary of the County’s June 30, 2014 general obligation urban renewal Build America Bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Jail		
		Principal	Interest *	Total
2015	3.50%	\$ 400,000	408,750	808,750
2016	4.00	410,000	394,750	804,750
2017	4.20	425,000	378,350	803,350
2018	4.40	445,000	360,500	805,500
2019	4.60	460,000	340,920	800,920
2020-2024	4.90-5.30	2,630,000	1,347,570	3,977,570
2025-2029	5.40-5.80	3,305,000	580,150	3,885,150
Total		\$ 8,075,000	3,810,990	11,885,990

\* - The County is eligible to receive a 35% tax credit toward interest payments made upon its application to the federal government.

The County retired \$385,000 of general obligation urban renewal bonds during the year.

**(8) Development Agreement**

In November 2010, the County entered into a development agreement with SSAB Iowa, Inc. Under the agreement, SSAB agreed to construct a research and development center. The County will provide a combination of property tax abatement and tax increment rebates. The total to be paid by the County under the agreement is not to exceed \$2,650,000. At June 30, 2014, \$49,206 had been rebated under the agreement, leaving an outstanding balance at June 30, 2014 of \$2,600,794.

In July 2013, the County entered into a development agreement with Van Meter, Inc. Under the agreement, Van Meter, Inc. will construct a warehouse. The County will provide economic development tax increment payments to the developer not to exceed \$250,000. At June 30, 2014, the outstanding balance of the agreement was \$250,000.

The agreements are not general obligations of the County. However, the agreements are subject to the constitutional debt limitation of the County.

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$778,464, \$807,835 and \$782,716, respectively, equal to the required contributions for each year.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 177 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 68,399
Interest on net OPEB obligation	8,114
Adjustment to annual required contribution	<u>(8,061)</u>
Annual OPEB cost	68,452
Contributions made	<u>(38,583)</u>
Increase in net OPEB obligation	29,869
Net OPEB obligation beginning of year	<u>202,845</u>
Net OPEB obligation end of year	<u>\$ 232,714</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$38,583 to the medical plan. Plan members eligible for benefits contributed \$59,175, or 60.5% of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$77,228	37.9%	\$159,854
2013	75,145	42.8	202,845
2014	68,452	56.4	232,714

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$845,034 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$845,034. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,942,000 and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. 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 Group Annuity Mortality Table applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial report as of June 30, 2010.

Projected claim costs of the medical plan for retirees less than age 65 are \$1,167 per month. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(11) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$231,966.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Employee Health Insurance Plan**

The Internal Service, Health Insurance Trust Fund was established to account for the partial self-funding of the County’s health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$75,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County’s contribution for the year ended June 30, 2014 was \$2,042,869.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2014 total \$304,899, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$469,764 at June 30, 2014 and is reported as a designation of the Internal Service, Health Insurance Trust Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 250,000
Incurred claims (including claims incurred but not reported at June 30, 2014)	2,385,373
Payment on claims during the fiscal year	(2,330,474)
Unpaid claims end of year	<u>\$ 304,899</u>

**(13) Jointly Governed Organizations**

The County participates in the Muscatine County Joint Communications Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

Additions:		
Contributions from Muscatine County		\$ 994,963
Miscellaneous		1,701
Total additions		<u>996,664</u>
Deductions:		
Salaries	\$ 606,911	
Benefits	244,432	
Office supplies	6,064	
Legal representation	4,000	
Postage and publicaitons	90	
Telephone and internet	6,372	
Travel	2,092	
Training	6,857	
Equipment replacement	12,186	
Maintenance and rentals	72,670	
Insurance	16,310	
Miscellaneous	1,316	979,300
Net		<u>17,364</u>
Balance beginning of year		254,666
Balance end of year		<u>\$ 272,030</u>

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

Additions:		
Grant reimbursements		\$ 72,900
Reimbursements from special investigations		17,690
Restitution		5,203
Forfeiture		175,146
Miscellaneous		3,000
Total additions		<u>273,939</u>
Deductions:		
Reimbursements to governmental units	\$ 155,752	
Office supplies and equipment	4,887	
Utilities	3,831	
Medical	343	
Training	3,436	
Furniture and equipment	13,428	
Investigations	49,331	
Miscellaneous	6,904	237,912
Net		<u>36,027</u>
Balance beginning of year		16,754
Balance end of year		<u>\$ 52,781</u>

**(14) Industrial Development Revenue Notes**

In May 2013, the County issued \$6,000,000 of industrial development revenue notes under the provisions of Chapter 419 of the Code of Iowa on behalf of the Lutheran Homes Society. The notes and related interest are not a liability of the County but are payable solely and only from the revenues derived by the property constructed by the Lutheran Homes Society. The outstanding principal balance was \$1,214,038 as of June 30, 2014.

**(15) Subsequent Event**

In October 2014, the County entered into a loan agreement to issue a general obligation county purpose note for \$1,500,000 to finance improvements to County buildings and to acquire emergency services communication equipment.

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued a Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.



**Required Supplementary Information**

Muscatine 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, 2014

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>Receipts:</b>				
Property tax	\$ 15,210,539	14,977,568	14,977,568	232,971
Tax increment financing and other county tax	1,737,848	2,078,665	2,078,665	(340,817)
Interest and penalty on property tax	151,093	136,000	136,000	15,093
Intergovernmental	8,851,538	9,493,182	8,570,513	281,025
Licenses and permits	77,567	57,200	71,200	6,367
Charges for service	1,041,321	993,788	993,788	47,533
Use of money and property	598,364	693,725	693,725	(95,361)
Miscellaneous	325,896	132,000	288,714	37,182
<b>Total receipts</b>	<b>27,994,166</b>	<b>28,562,128</b>	<b>27,810,173</b>	<b>183,993</b>
<b>Disbursements:</b>				
Public safety and legal services	8,518,489	10,061,457	9,074,447	555,958
Physical health and social services	1,203,748	1,319,956	1,406,956	203,208
Mental health	2,465,092	3,129,639	3,129,639	664,547
County environment and education	966,195	1,084,778	1,069,890	103,695
Roads and transportation	5,109,568	5,847,000	5,847,000	737,432
Governmental services to residents	784,258	732,568	808,668	24,410
Administration	2,623,616	3,127,044	2,930,491	306,875
Debt service	1,630,157	1,668,000	1,668,000	37,843
Capital projects	5,114,992	2,219,000	6,185,000	1,070,008
<b>Total disbursements</b>	<b>28,416,115</b>	<b>29,189,442</b>	<b>32,120,091</b>	<b>3,703,976</b>
Excess (deficiency) of receipts over (under) disbursements	(421,949)	(627,314)	(4,309,918)	3,887,969
Other financing sources, net	1,366,980	794,500	1,364,500	2,480
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	945,031	167,186	(2,945,418)	3,890,449
Balance beginning of year	12,113,420	5,715,500	11,865,064	248,356
Balance end of year	\$ 13,058,451	5,882,686	8,919,646	4,138,805

See accompanying independent auditor's report.

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Muscatine County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 27,994,166	(155,132)	27,839,034
Expenditures	28,416,115	(345,333)	28,070,782
Net	(421,949)	190,201	(231,748)
Other financing sources, net	1,366,980	66,582	1,433,562
Beginning fund balances	12,113,420	(61,763)	12,051,657
Ending fund balances	\$ 13,058,451	195,020	13,253,471

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$2,930,649. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

Muscatine County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008		\$ 553	553	0.0%	\$ 7,788	7.1%
2010	Jul 1, 2008	-	553	553	0.0	7,910	7.0
2011	Jul 1, 2008	-	589	589	0.0	8,076	7.3
2012	Jul 1, 2011	-	944	944	0.0	8,429	11.2
2013	Jul 1, 2011	-	920	920	0.0	8,682	10.6
2014	Jul 1, 2011	-	845	845	0.0	8,942	9.5

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

See accompanying independent auditor's report.

**Muscatine County**

**Supplementary Information**

Muscatine County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 14,174	94,736
Receivables:		
Succeeding year tax increment financing	-	-
Due from other governments	-	-
<b>Total assets</b>	<b>\$ 14,174</b>	<b>94,736</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ -	203
Salaries payable	-	213
Total liabilities	-	416
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year tax increment financing	-	-
Other revenues	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for other purposes	14,174	94,320
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 14,174</b>	<b>94,736</b>

See accompanying independent auditor's report.



Special Revenue				
Conservation Youth Corp	County Sheriff's Forfeiture	County Attorney's Forfeiture	Tax Increment Financing	Total
9,585	72,681	5,832	-	197,008
-	-	-	35,000	35,000
-	2,675	-	-	2,675
9,585	75,356	5,832	35,000	234,683
173	-	2,719	-	3,095
2,756	-	-	-	2,969
2,929	-	2,719	-	6,064
-	-	-	35,000	35,000
-	600	-	-	600
-	600	-	35,000	35,600
6,656	74,756	3,113	-	193,019
9,585	75,356	5,832	35,000	234,683

Muscatine County

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

Year ended June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	Conservation Youth Corp
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	23,400	-
Charges for service	6,475	-	-
Miscellaneous	-	-	9,250
Total revenues	6,475	23,400	9,250
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	3,132	14,535
Governmental services to residents	4,500	-	-
Debt service	-	-	-
Total expenditures	4,500	3,132	14,535
Excess (deficiency) of revenues over (under) expenditures	1,975	20,268	(5,285)
Other financing sources:			
Transfers in	-	-	5,000
Change in fund balances	1,975	20,268	(285)
Fund balances beginning of year	12,199	74,052	6,941
Fund balances end of year	\$ 14,174	94,320	6,656

See accompanying independent auditor's report.

Special Revenue					
Sheriff Special	County Sheriff's Forfeiture	County Attorney's Forfeiture	Tax Increment Financing		Total
-	-	-	28,799		28,799
-	-	-	-		23,400
-	-	-	-		6,475
-	58,058	-	-		67,308
-	58,058	-	28,799		125,982
2,044	21,248	7,164	-		30,456
-	-	-	-		17,667
-	-	-	-		4,500
-	-	-	28,799		28,799
2,044	21,248	7,164	28,799		81,422
(2,044)	36,810	(7,164)	-		44,560
-	-	-	-		5,000
(2,044)	36,810	(7,164)	-		49,560
2,044	37,946	10,277	-		143,459
-	74,756	3,113	-		193,019

**Schedule 3**

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Muscatine County  
Combining Schedule of Net Position  
Internal Service Funds

June 30, 2014

	Health Insurance Trust	County Insurance Trust	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 722,764	57,760	780,524
Accounts receivable	51,899	-	51,899
<b>Total assets</b>	<u>774,663</u>	<u>57,760</u>	<u>832,423</u>
<b>Liabilities</b>			
Accounts payable	304,899	823	305,722
<b>Net Position</b>			
Unrestricted	<u>\$ 469,764</u>	<u>56,937</u>	<u>526,701</u>

See accompanying independent auditor's report.

## Muscatine County

Combining Schedule of Revenues, Expenses  
and Changes in Fund Net Position  
Internal Service Funds

Year ended June 30, 2014

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 2,042,869	20,000	2,062,869
Reimbursements from others	333,031	16,658	349,689
Total operating revenues	<u>2,375,900</u>	<u>36,658</u>	<u>2,412,558</u>
Operating expenses:			
Health claims and administrative services	2,385,373	-	2,385,373
Loss contingencies and deductibles	-	49,702	49,702
Total operating expenses	<u>2,385,373</u>	<u>49,702</u>	<u>2,435,075</u>
Operating loss	(9,473)	(13,044)	(22,517)
Net position beginning of year	<u>479,237</u>	<u>69,981</u>	<u>549,218</u>
Net position end of year	<u>\$ 469,764</u>	<u>56,937</u>	<u>526,701</u>

See accompanying independent auditor's report.

**Schedule 5**

Muscatine County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2014

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 2,042,869	20,000	2,062,869
Cash received from others	317,081	16,658	333,739
Cash paid to suppliers for services	(2,330,475)	(49,267)	(2,379,742)
Net cash provided (used) by operating activities	29,475	(12,609)	16,866
Cash and cash equivalents beginning of year	693,289	70,369	763,658
Cash and cash equivalents end of year	\$ 722,764	57,760	780,524
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (9,473)	(13,044)	(22,517)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Increase in accounts receivable	(15,951)	-	(15,951)
Increase in accounts payable	54,899	435	55,334
Net cash provided (used) by operating activities	\$ 29,475	(12,609)	16,866

See accompanying independent auditor's report.

**Muscatine County**

Muscatine County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Assets</b>						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,612	250,504	278,150	17,092	207,504
Other County officials	747,631	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	1,004	2,316	107,156	6,553	51,882
Succeeding year	-	248,000	551,000	26,472,000	1,611,000	16,229,000
Accounts	1,824	-	-	-	-	-
Assessments	-	-	-	-	-	225,070
Due from other governments	-	-	-	51,314	-	-
<b>Total assets</b>	<b>\$ 749,455</b>	<b>251,616</b>	<b>803,820</b>	<b>26,908,620</b>	<b>1,634,645</b>	<b>16,713,456</b>
<b>Liabilities</b>						
Accounts payable	\$ -	-	916	-	-	-
Salaries and benefits payable	1,456	-	1,486	-	-	-
Due to other governments	29,213	251,616	743,336	26,908,620	1,634,645	16,713,456
Trusts payable	718,786	-	-	-	-	-
Compensated absences	-	-	58,082	-	-	-
<b>Total liabilities</b>	<b>\$ 749,455</b>	<b>251,616</b>	<b>803,820</b>	<b>26,908,620</b>	<b>1,634,645</b>	<b>16,713,456</b>

See accompanying independent auditor's report.



Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
4,032	986,946	812,019	272,030	-	653,807	3,484,696
-	-	-	-	52,781	-	800,412
2,597	-	-	-	-	203	171,711
433,000	-	-	-	-	24,000	45,568,000
-	-	-	-	-	29,550	31,374
-	-	-	-	-	-	225,070
-	-	107	-	-	78,112	129,533
<b>439,629</b>	<b>986,946</b>	<b>812,126</b>	<b>272,030</b>	<b>52,781</b>	<b>785,672</b>	<b>50,410,796</b>
-	-	6,000	3,788	-	38,051	48,755
-	-	-	15,306	-	245	18,493
439,629	986,946	806,126	197,954	52,781	248,491	49,012,813
-	-	-	-	-	494,340	1,213,126
-	-	-	54,982	-	4,545	117,609
<b>439,629</b>	<b>986,946</b>	<b>812,126</b>	<b>272,030</b>	<b>52,781</b>	<b>785,672</b>	<b>50,410,796</b>

Muscatine County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2014

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 775,795	247,218	849,604	26,133,223	1,618,169
Additions:					
Property and other county tax	-	248,129	553,013	26,547,881	1,615,102
E911 surcharge	-	-	-	-	-
State tax credits	-	8,790	20,275	930,656	57,418
Office fees and collections	685,274	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	3,243,585	-	-	-	-
Miscellaneous	5,925	-	460	51,314	-
Total additions	3,934,784	256,919	573,748	27,529,851	1,672,520
Deductions:					
Agency remittances:					
To other funds	366,957	-	-	-	-
To other governments	318,074	252,521	619,532	26,754,454	1,656,044
Trusts paid out	3,276,093	-	-	-	-
Total deductions	3,961,124	252,521	619,532	26,754,454	1,656,044
Balances end of year	\$ 749,455	251,616	803,820	26,908,620	1,634,645

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
16,549,170	431,685	918,754	623,961	257,641	16,754	719,282	49,141,256
16,247,089	435,807	-	-	-	-	2,066,737	47,713,758
-	-	-	-	-	-	122,171	122,171
531,661	15,828	-	-	-	-	1,017	1,565,645
-	-	-	-	-	-	-	685,274
-	-	11,486,529	-	-	-	-	11,486,529
110,540	-	-	195,199	-	-	-	305,739
-	-	-	-	-	-	739,890	3,983,475
-	-	-	94,108	996,664	273,939	1,380,352	2,802,762
16,889,290	451,635	11,486,529	289,307	996,664	273,939	4,310,167	68,665,353
-	-	370,916	-	-	-	-	737,873
16,725,004	443,691	11,047,421	101,142	982,275	237,912	3,503,887	62,641,957
-	-	-	-	-	-	739,890	4,015,983
16,725,004	443,691	11,418,337	101,142	982,275	237,912	4,243,777	67,395,813
16,713,456	439,629	986,946	812,126	272,030	52,781	785,672	50,410,796

Muscatine County

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

For the Last Ten Years

	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 15,361,152	15,013,220	14,501,893	14,082,221
Local option sales tax	1,674,268	1,578,784	1,660,363	1,515,990
Tax increment financing	28,799	20,326	2,646,694	2,524,868
Interest and penalty on property tax	26,500	137,636	142,125	163,591
Intergovernmental	8,736,740	8,407,267	12,088,460	9,343,296
Licenses and permits	79,010	69,129	56,217	49,240
Charges for service	1,045,893	1,049,328	1,014,654	999,475
Use of money and property	537,210	728,408	529,790	333,308
Miscellaneous	349,462	229,717	255,121	115,649
<b>Total</b>	<b>\$ 27,839,034</b>	<b>27,233,815</b>	<b>32,895,317</b>	<b>29,127,638</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 8,502,516	9,230,897	9,097,021	7,905,440
Physical health and social services	1,165,740	1,111,050	1,165,653	1,178,269
Mental health	2,481,692	2,555,780	6,145,291	5,068,043
County environment and education	1,012,652	924,589	920,798	1,396,550
Roads and transportation	5,123,328	5,082,667	5,284,511	4,101,712
Governmental services to residents	783,569	758,477	920,329	820,077
Administration	2,575,095	2,700,947	2,713,389	2,562,491
Non-program	-	-	-	-
Debt service	1,630,158	1,574,173	4,461,871	4,175,606
Capital projects	4,796,032	2,895,030	1,219,947	7,032,504
<b>Total</b>	<b>\$ 28,070,782</b>	<b>26,833,610</b>	<b>31,928,810</b>	<b>34,240,692</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
13,301,678	12,374,917	11,687,141	10,903,381	9,427,758	8,929,409
1,569,049	1,890,098	1,525,736	1,612,758	1,426,194	1,207,208
2,426,949	2,710,391	2,779,066	2,728,449	2,518,739	2,659,483
143,331	158,370	177,397	135,701	129,222	134,751
9,280,544	9,625,903	7,279,800	8,658,921	7,917,815	7,448,135
57,704	58,197	71,353	90,155	134,265	110,512
949,125	786,881	953,362	1,044,584	993,581	1,012,192
336,494	476,709	671,957	808,911	690,112	496,672
163,573	277,782	119,239	400,300	267,666	171,141
28,228,447	28,359,248	25,265,051	26,383,160	23,505,352	22,169,503
7,263,162	6,661,244	6,430,196	6,190,825	5,995,995	5,980,757
1,295,177	1,518,634	1,397,525	1,345,536	1,244,312	1,367,221
4,673,403	4,686,393	4,899,395	4,560,083	4,872,925	4,361,931
1,611,528	1,514,371	855,660	862,523	811,459	771,303
6,087,223	6,741,764	3,995,683	3,965,737	3,679,065	4,706,304
874,604	819,374	744,212	772,229	1,045,653	770,148
2,526,382	2,486,510	2,202,626	2,149,595	2,060,956	1,967,755
-	-	482	329	94	83,479
3,835,638	3,908,576	3,862,312	3,873,429	3,395,626	3,332,801
5,338,057	1,004,988	2,229,263	2,543,108	1,205,609	2,643,201
33,505,174	29,341,854	26,617,354	26,263,394	24,311,694	25,984,900

Muscatine County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 4,367
U.S. Department of Homeland Security:			
Emergency Food and Shelter National Board Program	97.024		500
Total direct			<u>4,867</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>26,548</u>
U.S. Department of Defense:			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>73,163</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
Fish and Wildlife Cluster:			
Sport Fish Restoration Program	15.605	F13AF00367	1,756
Wildlife Restoration and Basic Hunter Education	15.611	F13AF00402	1,266
			<u>3,022</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-14-69CJ	<u>1,282</u>
City of Muscatine:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ- BX-0179	9,367
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11JAG-59085	59,900
			<u>69,267</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C070(58)8J--70	<u>1,160,021</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	13-410, Task 53	27,489
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	14-405d, Task 40	11,187
			<u>38,676</u>

Muscatine County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Emergency Preparedness	93.069	5883BT70	9,204
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		61
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		7,738
Foster Care_Title IV-E	93.658		10,194
Adoption Assistance	93.659		3,463
Children's Health Insurance Program	93.767		112
Medical Assistance Program	93.778		44,479
Social Services Block Grant	93.667		8,261
Social Services Block Grant			249,881
			258,142
Executive Office of the President:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Areas Program	95.001	G11MW0002A	1,099
High Intensity Drug Trafficking Areas Program	95.001	G12MW0002A	4,761
High Intensity Drug Trafficking Areas Program	95.001	G13MW0002A	19,847
High Intensity Drug Trafficking Areas Program	95.001	G14MW0002A	39,080
			64,787
U.S. Department of Homeland Security:			
Iowa Department of Natural Resources:			
Boating Safety Financial Assistance	97.012	14-574	19,802
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4119-DR-IA	39,311
Hazard Mitigation Grant	97.039	DR-4018-0003-01	14,889
Emergency Management Performance Grants	97.042	EMPG-14-PT-70	28,886
Total indirect			1,873,047
Total			\$ 1,877,914

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

See accompanying independent auditor's report.

**Muscatine County**





OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Officials of Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muscatine 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 Muscatine County's internal control. Accordingly, we do not express an opinion on the effectiveness of Muscatine 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 and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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.

#### Muscatine County's Responses to the Findings

Muscatine County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Muscatine 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 Muscatine 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

January 8, 2015

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**Muscatine County**



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

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Muscatine County:

Report on Compliance for Each Major Federal Program

We have audited Muscatine County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Muscatine County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Muscatine County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muscatine County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Muscatine County's compliance.

Opinion on the Major Federal Program

In our opinion, Muscatine County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

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



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 8, 2015

Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Financial Reporting – During the audit, we identified material amounts of revenue not properly classified in the County’s financial statements. Adjustments were subsequently made by the County to properly classify these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all revenues are properly classified in the County’s financial statements.

Response – We will make every effort to ensure proper classification of revenue.

Conclusion – Response accepted.

II-B-14 Segregation of Duties – During our review of the internal control, the existing procedures 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, maximize the accuracy of the County’s financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

County Recorder – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements. Also, responsibilities for maintaining detailed accounts receivable records are not segregated from those for collections and records postings. Also, the bank reconciliations are not reviewed by a person who is not responsible for receipts and disbursements.

County Sheriff – The bank reconciliation is not prepared by someone who does not sign checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials, should be utilized 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 the reviews should be documented by the signature or initials of the reviewer and the date of the review.



Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

Responses –

County Recorder – We will try to utilize individuals outside the office to segregate duties to the best of our ability.

County Sheriff – We will look into having a third person sign the checks.

Conclusions – Responses accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Muscatine County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 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.
- IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- IV-J-14 Taxable Fringe Benefits – Certain County expenditures for clothing considered adaptable to general usage as ordinary clothing were not included as employee wages in accordance with Internal Revenue Service (IRS) guidelines.

Recommendation – The County should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

Response – The County instituted procedures for including clothing expenditures in wages of employees effective July 1, 2014.

Conclusion – Response accepted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-K-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

IV-L-14 E911 Service Board – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted before a budget amendment.

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

Response – Will monitor budgets closer in the future to ensure disbursements do not exceed budgets.

Conclusion – Response accepted.

IV-M-14 Muscatine County Drug Task Force – The Muscatine County Drug Task Force is operated under the authority of Chapter 28E of the Code of Iowa and is administered by an Executive Committee separate and distinct from County operations. The following findings relate to the Muscatine County Drug Task Force:

- 1) Chapter 28E(6)(3)(b) of the Code of Iowa requires the Muscatine County Drug Task Force to file a summary of the proceedings of each regular, adjourned, or special meeting, a schedule of bills allowed and gross salaries of any employees with the County Recorder. Minutes of meetings should include date, time, and location of the meetings. Information should be on file with the County Recorder electronically no later than 20 days following the meeting. However, gross salaries should be on file at least annually. The Muscatine County Drug Task Force did not comply with Chapter 28E(6)(3)(b) of the Code of Iowa.
- 2) The Department of Justice, Equitable Sharing Agreement, Internal Controls, states, in part, “State funds from state and local forfeitures and other sources must not be commingled with federal sharing funds.” The Muscatine County Drug Task Force does not have separate accounts for federal forfeitures received.
- 3) The Muscatine County Drug Task Force Executive Committee established an operating account limitation of \$40,000. At June 30, 2014, the balance of the operating account was \$52,781.
- 4) Equitable sharing funds of the Muscatine County Drug Task Force of \$31,500 were distributed to the members of the Task Force, except the Muscatine County Attorney. Instead, a vehicle with a cost of \$27,295 was purchased with the Muscatine County Attorney’s share for use by the Muscatine County Attorney. The difference between the \$31,500 amount to be distributed and the vehicle purchase price is \$4,205 and remains in the Task Force’s account.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation -

- 1) The Task Force should comply with Chapter 28E(6)(3)(b) of the Code of Iowa.
- 2) The Task Force should use separate accounts to account for federal sharing funds from state and local forfeitures.
- 3) The Task Force should establish procedures to either distribute excess funds to participating members or increase the operating limit prior to exceeding the limit.
- 4) The Muscatine County Attorney's share of the forfeiture funds should have been credited to the Special Revenue, County Attorney's Forfeiture Fund. Purchases from the distributions should have been made through the County claim process and as a part of the County's budget. The Task Force should distribute \$4,205, the remainder of the Muscatine County Attorney's share, to the Special Revenue, County Attorney's Forfeiture Fund.

Response -

- 1) The Task Force will comply with Chapter 28E(6)(3)(b) going forward.
- 2) The Task Force will use a separate account to account for federal sharing funds from state and local forfeitures.
- 3) The Task Force will establish procedures for the disposition of excess funds.
- 4) The vehicle purchase was treated as an acquisition of a Task Force asset which required approval of the Task Force Board, not the Board of Supervisors. We are working on updates to our 28E agreement to make this process more explicit. In the meantime, we will credit the remaining funds to the Special Revenue Fund.

Conclusion -

- 1), 2) and 3) Response accepted.
- 4) Response acknowledged. Expenditures from the Muscatine County Attorney's equitable sharing funds should be made from the Special Revenue, County Attorney's Forfeiture Fund.

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Muscatine County

Staff

This audit was performed by:

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