



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

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

February 17, 2015

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$17,509,488 for the year ended June 30, 2014, which included \$850,994 in tax credits from the state. The County forwarded \$12,012,522 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,496,966 of the local tax revenue to finance County operations, a 7.6% increase over the prior year. Other revenues included charges for service of \$367,555, operating grants, contributions and restricted interest of \$3,160,856, capital grants, contributions and restricted interest of \$108,065, local option sales tax of \$435,869, unrestricted investment earnings of \$19,532 and other general revenues of \$104,572.

Expenses for County operations for the year ended June 30, 2014 totaled \$9,782,650, a 6.8% increase over the prior year. Expenses included \$5,904,776 for roads and transportation, \$1,312,267 for public safety and legal services and \$793,891 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/1410-0001-B00F.pdf>.

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**ADAIR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

Table of Contents

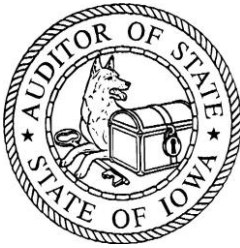
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		48
Budget to GAAP Reconciliation		49
Notes to Required Supplementary Information – Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54-55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	56-57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	62-63
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		65-66
Schedule of Findings		67-73
Staff		74

## Adair County

### Officials

Steven Shelley	Board of Supervisors	Jan 2015
Cliff Sheriff	Board of Supervisors	Jan 2015
David Homan	Board of Supervisors	Jan 2017
John Twombly	Board of Supervisors	Jan 2017
Matt Wedemeyer	Board of Supervisors	Jan 2017
Melinda Schaefer	County Auditor	Jan 2017
Brenda Wallace	County Treasurer	Jan 2015
Janelle Schneider	County Recorder	Jan 2015
Brad Newton	County Sheriff	(Resigned)
Jeff Vandewater (Appointed)	County Sheriff	Nov 2017
Michael Maynes	County Attorney	Jan 2015
Kenneth E. Huddleson	County Assessor	(Resigned)
Pam Jensen (Appointed)	County Assessor	Jan 2016

**Adair County**



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Independent Auditor's Report

To the Officials of Adair County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 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 Adair 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 9 through 16 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2015 on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 2, 2015

**Adair County**

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

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Adair County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 3.1%, or approximately \$289,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$167,000 and tax increment financing increased approximately \$189,000. Capital grants, contributions and restricted interest decreased approximately \$595,000 and operating grants, contributions and restricted interest increased approximately \$514,000.
- The County's expenses for governmental activities increased 6.8%, or approximately \$627,000, from fiscal year 2013 to fiscal year 2014. Roads and transportation expenses increased approximately \$334,000 and county environment and education expenses increased approximately \$129,000.
- The County's net position decreased 0.4%, or approximately \$89,000, 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 Adair County as a whole and present an overall view of the County's finances.

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adair County's combined net position was virtually unchanged from a year ago, decreasing from approximately \$21,944,000 to approximately \$21,855,000. The analysis below shows the changes in the net position of governmental activities from a year ago.

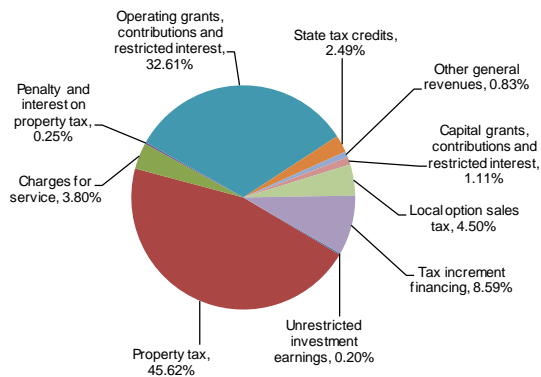
Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Current and other assets	\$ 15,044	12,666
Capital assets	24,213	20,792
Total assets	<u>39,257</u>	<u>33,458</u>
Long-term liabilities	10,581	5,461
Other liabilities	1,067	805
Total liabilities	<u>11,648</u>	<u>6,266</u>
Deferred inflow of resources	<u>5,754</u>	<u>5,248</u>
Net position:		
Net investment in capital assets	18,208	17,645
Restricted	2,751	3,538
Unrestricted	896	761
Total net position	<u>\$ 21,855</u>	<u>21,944</u>

The net position of Adair County's governmental activities decreased approximately \$89,000 (approximately \$21,855,000 compared to approximately \$21,944,000). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$563,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased approximately \$787,000, or 22.2%, from June 30, 2013 to June 30, 2014. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$761,000 at June 30, 2013 to approximately \$896,000 at the end of this year, an increase of 17.7%.

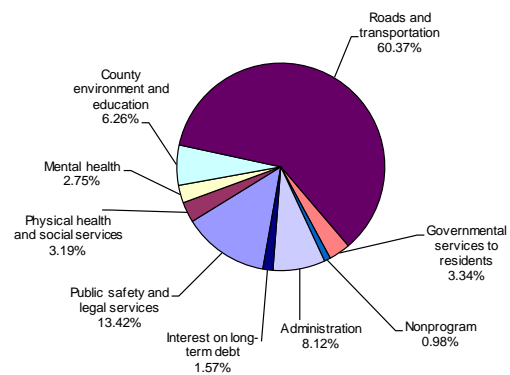
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 368	369
Operating grants, contributions and restricted interest	3,161	2,647
Capital grants, contributions and restricted interest	108	703
<b>General revenues:</b>		
Property tax	4,423	4,256
Tax increment financing	833	644
Penalty and interest on property tax	24	41
State tax credits	241	208
Local option sales tax	436	504
Unrestricted investment earnings	19	32
Other general revenues	81	1
<b>Total revenues</b>	<b>9,694</b>	<b>9,405</b>
<b>Program expenses:</b>		
Public safety and legal services	1,313	1,245
Physical health and social services	312	285
Mental health	270	313
County environment and education	612	483
Roads and transportation	5,905	5,571
Governmental services to residents	327	307
Administration	794	750
Nonprogram	96	58
Interest on long-term debt	154	144
<b>Total expenses</b>	<b>9,783</b>	<b>9,156</b>
<b>Change in net position</b>	<b>(89)</b>	<b>249</b>
<b>Net position beginning of year</b>	<b>21,944</b>	<b>21,695</b>
<b>Net position end of year</b>	<b>\$ 21,855</b>	<b>21,944</b>

**Revenues by Source**



**Expenses by Function**



Adair County's net position of governmental activities decreased approximately \$89,000 during the year. Revenues for governmental activities increased approximately \$289,000 from the prior year.

The cost of all governmental activities this year was approximately \$9.8 million compared to approximately \$9.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$6,146,000 because some of the cost was paid by those directly benefited from the programs (approximately \$368,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,269,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$3,719,000 to approximately \$3,636,000. This was, in part, the result of decreased state aid mental health receipts and federal grant receipts related to road and bridge projects.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$8.2 million, an increase of approximately \$1.7 million above last year's total of approximately \$6.5 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues exceeded expenditures. The ending fund balance increased approximately \$271,000 from the prior year to approximately \$1,869,000. Increases in property tax, intergovernmental and miscellaneous revenues exceeded the increased expenditures in the fund, primarily in the public safety and legal services and administration functions.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2014, Special Revenue, Mental Health Fund expenditures totaled approximately \$270,000, a decrease of 13.9% from the prior year, primarily due to the statewide mental health redesign. The ending fund balance increased from approximately (\$72,000) to approximately \$16,000. The increase is primarily due to the County using its mental health property tax levy and applying State equalization dollars to pay claims incurred prior to the statewide mental health redesign, which shifted Medicaid funding to the regional level instead of the County level. The redesign led to a significant decrease in mental health expenditures.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$55,000 from the prior year to approximately \$296,000. This decrease is due primarily to an increase in public safety and roads and transportation expenditures.
- The Special Revenue, Secondary Roads Fund revenues decreased approximately \$132,000 from the prior year, primarily due to federal grant revenue recorded in fiscal year 2013. Expenditures increased approximately \$2,918,000 from the prior year due to an increase in equipment purchases and an increase in locally funded road and bridge projects financed by local option sales tax and tax increment financing revenues. The Special Revenue, Secondary Roads Fund balance at year end decreased approximately \$532,000, or 55.7%, to approximately \$422,000.

- The Special Revenue, Urban Renewal Fund ending fund balance decreased from approximately (\$29,000) in the prior year to approximately (\$76,000) as increased debt service payments exceeded increased tax increment financing revenue. The County will eliminate the deficit balance through the collection of future tax increment financing revenue.
- The Capital Projects Fund ending fund balance increased approximately \$2,284,000 from the prior year to approximately \$4,413,000. This increase is due to the receipt of \$5,830,000 of general obligation bond proceeds during the fiscal year, offset partially by an increase in interfund transfers to the Special Revenue, Secondary Roads Fund for road and bridge expenditures.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Adair County amended its budget three times. The first amendment was made in October 2013 and increased budgeted transfers and budgeted capital projects expenditures approximately \$190,000 related to an increase in local bridge construction projects.

The second amendment was made in January 2014. This amendment increased budgeted receipts approximately \$426,000 due to the anticipated receipt of federal grants to finance the Lake Orient Safe Room project. The amendment increased other financing sources by \$5,000,000 to budget for the receipt of proceeds from the issuance of general obligation bonds. The amendment also increased budgeted disbursements approximately \$313,000 for expenses related to the payment of State mental health claims and additional consultant charges anticipated from the secondary roads building project.

The third amendment was made in May 2014. This amendment increased budgeted receipts approximately \$8,000 and increased other financing sources to budget for the remainder of the receipt of proceeds from the issuance of general obligation bonds. The amendment also increased budgeted disbursements approximately \$372,000 related to an increase in local bridge construction projects and mental health claims.

The County's receipts were approximately \$241,000 less than budgeted, primarily because the County budgeted for state and federal grant proceeds related to the Lake Orient Safe Room project. The project was anticipated to be completed during the winter of 2013, but a stop work order was issued in September 2013 and the project was not completed.

Total disbursements were approximately \$2,431,000 more than budgeted. Actual disbursements for the capital projects function were approximately \$3,036,000 more than budgeted because the intended increase in budgeted capital projects expenditures was not amended as planned.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, Adair County had approximately \$24,213,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,421,000, or 16.5%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 713	713
Intangibles, road network	34	34
Construction in progress	1,604	175
Buildings and improvements	3,205	3,293
Improvements other than buildings	156	157
Equipment and vehicles	3,264	3,455
Intangibles	229	-
Infrastructure, road network	15,008	12,965
Total	<u>\$ 24,213</u>	<u>20,792</u>
This year's major additions included (in thousands):		
Construction projects	\$ 4,111	
Purchase of Secondary Roads vehicles and equipment	203	
Purchase of intangible assets (Pictometry and computer software)	241	
Total	<u>\$ 4,555</u>	

The County had depreciation expense of approximately \$1,104,000 in fiscal year 2014 and total accumulated depreciation of approximately \$6,450,000 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

Adair County had approximately \$10,385,000 of outstanding debt at June 30, 2014, which included \$10,175,000 of general obligation bonds and approximately \$210,000 of installment purchase agreement debt, compared to total outstanding debt of approximately \$5,265,000 at June 30, 2013. The significant increase was due to the \$5,830,000 of general obligation bonds issued in April 2014 to pay the cost of construction, reconstruction, improvement and repair of roads and bridges to assist in economic development, construction and furnishing a secondary road building and equipping the Sheriff's Office, including a computer software update.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation bonds	\$ 10,175	5,265
Installment purchase agreements	210	-
Total	<u>\$ 10,385</u>	<u>5,265</u>

Adair County's general obligation debt carries the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$45.4 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

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

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$398,933 of local option sales tax in fiscal year 2015.

Amounts available for appropriation in the operating budget are approximately \$14.7 million, an increase of 45% from the final fiscal year 2014 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease to approximately \$4,844,000 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 Adair County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Adair County Auditor's Office, 400 Public Square, Ste. 5, Greenfield, Iowa 50849.

## **Basic Financial Statements**

**Exhibit A**

Adair County  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 8,578,472
Receivables:	
Property tax:	
Delinquent	8,424
Succeeding year	4,584,000
Succeeding year tax increment financing	1,170,000
Interest and penalty on property tax	11,065
Accounts	9,435
Accrued interest	1,573
Due from other governments	340,169
Inventories	168,076
Prepaid items	173,111
Capital assets net of accumulated depreciation	24,213,291
<b>Total assets</b>	<u>39,257,616</u>
<b>Liabilities</b>	
Accounts payable	791,422
Accrued interest payable	31,723
Salaries and benefits payable	101,319
Due to other governments	143,375
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,075,000
Installment purchase agreements	53,048
Compensated absences	104,683
Portion due or payable after one year:	
General obligation bonds	9,100,000
Installment purchase agreements	157,086
Compensated absences	84,243
Net OPEB liability	6,600
Total liabilities	<u>11,648,499</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	4,584,000
Unavailable tax increment financing revenue	1,170,000
<b>Total deferred inflows of resources</b>	<u>5,754,000</u>
<b>Net Position</b>	
Net investment in capital assets	18,208,086
Restricted for:	
Supplemental levy purposes	466,590
Mental health purposes	16,411
Rural services purposes	298,588
Secondary roads purposes	293,564
Conservation land acquisition purposes	434,738
Resource enhancement and protection	108,270
Bridge maintenance and replacement	870,415
Debt service	210,378
Other purposes	53,011
Unrestricted	895,066
<b>Total net position</b>	<u>\$ 21,855,117</u>

See notes to financial statements.

Adair County

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		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	\$ 1,312,267	78,672	4,808	-	(1,228,787)
Physical health and social services	312,561	23,973	77,204	-	(211,384)
Mental health	269,793	-	48,647	-	(221,146)
County environment and education	612,555	33,562	31,564	100,968	(446,461)
Roads and transportation	5,904,776	32,157	2,904,528	7,097	(2,960,994)
Governmental services to residents	326,590	160,216	20	-	(166,354)
Administration	793,891	37,855	-	-	(756,036)
Nonprogram	95,907	1,120	93,227	-	(1,560)
Interest on long-term debt	154,310	-	858	-	(153,452)
Total	\$ 9,782,650	367,555	3,160,856	108,065	(6,146,174)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,115,515
Debt service					307,988
Tax increment financing					832,544
Penalty and interest on property tax					24,019
State tax credits					240,919
Local option sales tax					435,869
Unrestricted investment earnings					19,532
Miscellaneous					80,552
Total general revenues					6,056,938
Change in net position					(89,236)
Net position beginning of year					21,944,353
Net position end of year					\$ 21,855,117

See notes to financial statements.

Adair County  
Balance Sheet  
Governmental Funds

June 30, 2014

Assets	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Cash, cash equivalents and pooled investments	\$ 1,730,963	118,658	305,279	772,793
Receivables:				
Property tax:				
Delinquent	4,645	568	2,673	-
Succeeding year	2,315,000	285,000	1,456,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	11,065	-	-	-
Accounts	8,337	-	-	1,098
Accrued interest	1,573	-	-	-
Due from other funds	16,000	-	-	3,098
Due from other governments	53,314	-	-	217,966
Interfund advance receivable	59,979	-	-	-
Inventories	-	-	-	168,076
Prepaid items	102,012	-	-	67,089
<b>Total assets</b>	<b>\$ 4,302,888</b>	<b>404,226</b>	<b>1,763,952</b>	<b>1,230,120</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 15,146	11,861	500	747,576
Salaries and benefits payable	36,739	2,329	3,244	59,007
Due to other funds	3,098	-	-	-
Due to other governments	47,956	88,625	5,620	1,174
Interfund advance payable	-	-	-	-
Total liabilities	102,939	102,815	9,364	807,757
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,315,000	285,000	1,456,000	-
Succeeding year tax increment financing	-	-	-	-
Other	15,710	568	2,673	-
Total deferred inflow of resources	2,330,710	285,568	1,458,673	-
Fund balances:				
Nonexpendable:				
Inventories	-	-	-	168,076
Prepaid items	102,012	-	-	67,089
Restricted for:				
Supplemental levy purposes	469,707	-	-	-
Mental health purposes	-	15,843	-	-
Rural services purposes	-	-	295,915	-
Secondary roads purposes	-	-	-	187,198
Conservation land acquisition/capital improvements	434,738	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Resource enhancement and protection	-	-	-	-
Bridge maintenance and replacement	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Courthouse windows	25,000	-	-	-
Courthouse roof	80,000	-	-	-
Conservation legal expenses	55,000	-	-	-
Unassigned	702,782	-	-	-
Total fund balances	1,869,239	15,843	295,915	422,363
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,302,888</b>	<b>404,226</b>	<b>1,763,952</b>	<b>1,230,120</b>

See notes to financial statements.

Urban Renewal	Capital Projects	Nonmajor	Total
261	4,427,579	1,183,692	8,539,225
-	-	538	8,424
-	-	528,000	4,584,000
1,170,000	-	-	1,170,000
-	-	-	11,065
-	-	-	9,435
-	-	-	1,573
-	-	-	19,098
-	-	68,889	340,169
-	-	-	59,979
-	-	-	168,076
-	-	-	169,101
<u>1,170,261</u>	<u>4,427,579</u>	<u>1,781,119</u>	<u>15,080,145</u>

-	14,839	1,500	791,422
-	-	-	101,319
16,000	-	-	19,098
-	-	-	143,375
59,979	-	-	59,979
<u>75,979</u>	<u>14,839</u>	<u>1,500</u>	<u>1,115,193</u>

-	-	528,000	4,584,000
1,170,000	-	-	1,170,000
-	-	538	19,489
<u>1,170,000</u>	<u>-</u>	<u>528,538</u>	<u>5,773,489</u>

-	-	-	168,076
-	-	-	169,101
-	-	-	469,707
-	-	-	15,843
-	-	-	295,915
-	-	-	187,198
-	-	-	434,738
-	-	219,385	219,385
-	4,412,740	-	4,412,740
-	-	108,270	108,270
-	-	870,415	870,415
-	-	53,011	53,011
-	-	-	25,000
-	-	-	80,000
-	-	-	55,000
(75,718)	-	-	627,064
<u>(75,718)</u>	<u>4,412,740</u>	<u>1,251,081</u>	<u>8,191,463</u>
<u>1,170,261</u>	<u>4,427,579</u>	<u>1,781,119</u>	<u>15,080,145</u>

**Adair County**



Adair County

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

June 30, 2014

<b>Total governmental fund balances (page 21)</b>	\$ 8,191,463
<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 \$30,663,576 and the accumulated depreciation is \$6,450,285.	24,213,291
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental	19,489
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	43,257
Long-term liabilities, including bonds payable, installment purchase agreements 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>(10,612,383)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$21,855,117</u></u>
See notes to financial statements.	

Adair County

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

Year ended June 30, 2014

	General	Mental Health	Special Rural Services	Revenue Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,389,112	292,321	1,435,002	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	-
Interest and penalty on property tax	31,576	-	-	-
Intergovernmental	267,637	63,173	75,239	2,827,696
Licenses and permits	8,161	-	5,167	300
Charges for service	210,122	-	235	-
Use of money and property	37,277	-	-	-
Miscellaneous	65,648	1,837	3,787	200,208
Total revenues	3,009,533	357,331	1,519,430	3,028,204
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,166,513	-	160,156	-
Physical health and social services	300,786	-	11,775	-
Mental health	-	269,793	-	-
County environment and education	316,898	-	138,304	-
Roads and transportation	-	-	258,189	4,098,575
Governmental services to residents	315,679	-	5,549	-
Administration	785,889	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	4,799,566
Total expenditures	2,885,765	269,793	573,973	8,898,141
Excess (deficiency) of revenues over (under) expenditures	123,768	87,538	945,457	(5,869,937)
<b>Other financing sources (uses):</b>				
Transfers in	46,721	-	-	5,337,820
Transfers out	(26,300)	-	(1,000,000)	-
Interfund advance	28,979	-	-	-
General obligation bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Installment purchase agreements	97,750	-	-	-
Total other financing sources (uses)	147,150	-	(1,000,000)	5,337,820
Change in fund balances	270,918	87,538	(54,543)	(532,117)
Fund balances beginning of year	1,598,321	(71,695)	350,458	954,480
Fund balances end of year	\$ 1,869,239	15,843	295,915	422,363

See notes to financial statements.

Urban Renewal	Capital Projects	Nonmajor	Total
-	-	307,450	4,423,885
832,544	-	-	832,544
-	-	435,869	435,869
-	-	-	31,576
-	81,317	29,631	3,344,693
-	-	-	13,628
-	-	1,740	212,097
430	7,096	2,999	47,802
-	-	14,178	285,658
832,974	88,413	791,867	9,627,752
-	-	11,548	1,338,217
-	-	-	312,561
-	-	-	269,793
-	-	-	455,202
-	-	-	4,356,764
-	-	5,500	326,728
-	-	-	785,889
850,500	-	202,550	1,053,050
-	341,038	-	5,140,604
850,500	341,038	219,598	14,038,808
(17,526)	(252,625)	572,269	(4,411,056)
-	86,300	-	5,470,841
-	(3,563,526)	(881,015)	(5,470,841)
(28,979)	-	-	-
-	5,830,000	-	5,830,000
-	40,512	-	40,512
-	143,256	-	241,006
(28,979)	2,536,542	(881,015)	6,111,518
(46,505)	2,283,917	(308,746)	1,700,462
(29,213)	2,128,823	1,559,827	6,491,001
(75,718)	4,412,740	1,251,081	8,191,463

Adair County

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

Year ended June 30, 2014

**Change in fund balances - Total governmental funds (page 25)** \$ 1,700,462

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

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

Expenditures for capital assets	\$ 4,555,222	
Depreciation expense	<u>(1,104,355)</u>	3,450,867

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (29,101)

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 of resources in the

Property tax	(382)	
Other	<u>(27,318)</u>	(27,700)

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	(6,071,006)	
Repaid	<u>950,872</u>	(5,120,134)

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	1,287	
Interest on long-term debt	(21,260)	
Other postemployment benefits	<u>(629)</u>	(20,602)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (43,028)

**Change in net position of governmental activities (page 19)** \$ (89,236)

See notes to financial statements.

Adair County  
Statement of Net Position  
Proprietary Fund

June 30, 2014

	<u>Internal Service - Employee Health Insurance</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 39,247
Prepaid items	<u>4,010</u>
<b>Total current assets</b>	<u>43,257</u>
<b>Liabilities</b>	
None	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 43,257</u></u>

See notes to financial statements.

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

Year ended June 30, 2014

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Contributions from operating funds		\$ 9,339
Premium reimbursements from employees and others		42,016
Miscellaneous		<u>1,360</u>
Total operating revenues		52,715
Operating expenses:		
Medical claims	\$ 8,827	
Payments to governmental funds	48,031	
Insurance premiums	<u>39,049</u>	<u>95,907</u>
Operating loss		(43,192)
Non-operating revenues:		
Interest income		<u>164</u>
Net loss		(43,028)
Net position beginning of year		<u>86,285</u>
Net position end of year		<u>\$ 43,257</u>
See notes to financial statements.		

Adair County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2014

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating funds	\$ 9,339
Premium reimbursements from employees and others	42,016
Miscellaneous	1,360
Cash paid to governmental funds	(48,031)
Cash paid to suppliers for services	(51,886)
Net cash used by operating activities	(47,202)
Cash flows from investing activities:	
Interest on investments	164
Net decrease in cash and cash equivalents	(47,038)
Cash and cash equivalents beginning of year	86,285
Cash and cash equivalents end of year	\$ 39,247
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (43,192)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in prepaid items	(4,010)
Net cash used by operating activities	\$ (47,202)

See notes to financial statements.

Adair County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2014

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 505,629
Other County officials	31,173

Receivables:

Property tax:

Delinquent	19,502
Succeeding year	11,549,000

Special assessments	173,474
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Due from other governments	10,989
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Prepaid expenses	4,716
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<b>Total assets</b>	<u>12,294,483</u>
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**Liabilities**

Accounts payable	895
------------------	-----

Salaries and benefits payable	849
-------------------------------	-----

Due to other governments	12,227,935
--------------------------	------------

Trusts payable	48,618
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Compensated absences	16,186
----------------------	--------

<b>Total liabilities</b>	<u>12,294,483</u>
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**Net position**

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



Adair County

Notes to Financial Statements

June 30, 2014

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

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

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

A. Reporting Entity

For financial reporting purposes, Adair County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center, County Emergency Management Commission and South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories.

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

*Restricted net position* results when constraints placed on the use of net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. 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 often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, 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 – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 that was due and payable but has not been collected.

Due from and to Other Funds and Advances to and from Other Funds –

During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health 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 receivable, tax increment financing receivable 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 it is 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 Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the capital projects function.

**(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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$90,565 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

**(3) Interfund Assets/Liabilities**

The detail of amounts due from and due to other funds at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	\$ 16,000
Special Revenue: Secondary Roads	General	3,098
Total		<u>\$ 19,098</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	<u>\$ 59,979</u>

The General Fund advanced \$75,979 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with tax increment financing receipts as they are collected.

**(4) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	<u>\$ 46,721</u>
Special Revenue: Secondary Roads	General	20,000
	Special Revenue: Rural Services	1,000,000
	Local Option Sales Tax	801,015
	Capital Projects	<u>3,516,805</u>
		<u>5,337,820</u>
Capital Projects	General	6,300
	Special Revenue: Resource Enhancement and Protection	80,000
		<u>86,300</u>
Total		<u>\$ 5,470,841</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:				
Land	\$ 712,767	-	-	712,767
Intangibles, road network	34,220	-	-	34,220
Construction in progress	174,573	4,110,646	2,681,149	1,604,070
Total capital assets not being depreciated	921,560	4,110,646	2,681,149	2,351,057
Capital assets being depreciated:				
Buildings	3,695,159	-	-	3,695,159
Improvements other than buildings	272,405	6,512	-	278,917
Equipment and vehicles	5,979,424	340,721	200,790	6,119,355
Intangibles	-	241,006	-	241,006
Infrastructure, road network	15,334,597	2,643,485	-	17,978,082
Total capital assets being depreciated	25,281,585	3,231,724	200,790	28,312,519
Less accumulated depreciation for:				
Buildings	401,899	88,027	-	489,926
Improvements other than buildings	115,169	7,422	-	122,591
Equipment and vehicles	2,524,462	397,191	65,690	2,855,963
Intangibles	-	12,050	-	12,050
Infrastructure, road network	2,370,090	599,665	-	2,969,755
Total accumulated depreciation	5,411,620	1,104,355	65,690	6,450,285
Total capital assets being depreciated, net	19,869,965	2,127,369	135,100	21,862,234
Governmental activities capital assets, net	\$20,791,525	6,238,015	2,816,249	24,213,291

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 117,340
County environment and education	20,677
Roads and transportation	939,581
Administration	26,757
Total depreciation expense - governmental activities	<u>\$1,104,355</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	\$ 47,956
Special Revenue:		
Mental Health	Services	88,625
Rural Services	Services	5,620
Secondary Roads	Services	1,174
		<u>95,419</u>
Total for governmental funds		<u>\$ 143,375</u>
Agency:		
County Assessor	Collections	\$ 268,957
Schools		6,606,384
Community Colleges		377,709
Corporations		2,623,524
Townships		327,571
County Hospital		1,429,436
Auto License and Use Tax		197,851
All other		396,503
Total for agency funds		<u>\$ 12,227,935</u>

**(7) Long-Term Liabilities**

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

	General Obligation Bonds	Installment Purchase Agreements	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,265,000	-	190,213	5,971	5,461,184
Increases	5,830,000	241,006	100,111	6,729	6,177,846
Decreases	920,000	30,872	101,398	6,100	1,058,370
Balance end of year	<u>\$ 10,175,000</u>	<u>210,134</u>	<u>188,926</u>	<u>6,600</u>	<u>10,580,660</u>
Due within one year	<u>\$ 1,075,000</u>	<u>53,048</u>	<u>104,683</u>	<u>-</u>	<u>1,232,731</u>

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

Year Ending June 30,	Public Safety Building			Bridge, Road and Culvert		
	Issued Sept 1, 2010			Issued Apr 28, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	2.00%	\$ 125,000	79,650	2.00%	\$ 850,000	34,000
2016	2.00	125,000	77,150	2.00	850,000	17,000
2017	2.25	130,000	74,650		-	-
2018	2.25	135,000	71,725		-	-
2019	2.50	140,000	68,688		-	-
2020-2024	2.50-3.00	785,000	283,687		-	-
2025-2029	3.25-3.75	980,000	149,550		-	-
2030	3.75	225,000	8,438		-	-
Total		\$ 2,645,000	813,538		\$ 1,700,000	51,000

Year Ending June 30,	General Obligation, Series 2014			Total		
	Issued Apr 2, 2014					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	1.50%	\$ 100,000	108,745	1,075,000	222,395	1,297,395
2016	1.50	105,000	91,932	1,080,000	186,082	1,266,082
2017	1.50	920,000	90,358	1,050,000	165,008	1,215,008
2018	1.50	885,000	76,557	1,020,000	148,282	1,168,282
2019	1.50	895,000	63,283	1,035,000	131,971	1,166,971
2020-2024	1.50-2.10	2,925,000	110,558	3,710,000	394,245	4,104,245
2025-2029		-	-	980,000	149,550	1,129,550
2030		-	-	225,000	8,438	233,438
Total		\$ 5,830,000	541,433	10,175,000	1,405,971	11,580,971

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95% 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 \$240,898, \$220,664 and \$192,123, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

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

The medical/prescription drug benefits were provided through a partially self-funded medical plan administered by Wellmark until January 1, 2014. Effective January 1, 2014, medical/prescription drug benefits are provided through a fully-insured plan with 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	\$ 7,800
Interest on net OPEB obligation	300
Adjustment to annual required contribution	<u>(1,371)</u>
Annual OPEB cost	6,729
Contributions made	<u>6,100</u>
Increase in net OPEB obligation	629
Net OPEB obligation beginning of year	<u>5,971</u>
Net OPEB obligation end of year	<u>\$ 6,600</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$6,100 to the medical plan. Plan members eligible for benefits contributed \$19,400, or 76% 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	\$10,507	93.6%	\$10,507
2013	7,796	52.6	5,971
2014	6,729	90.7	6,600

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$73,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,502,000 and the ratio of the UAAL to covered payroll was 2.8%. 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, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this report.

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

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

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 rate 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 \$111,584.

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 \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. On January 1, 2014, the County discontinued the self-funding portion of its health insurance benefit plan and changed to a fully-funded plan. Prior to January 1, 2014, the plan was funded by County contributions and was administered by the County. The County assumed liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively.

Contributions to the Employee Health Insurance Fund were recorded as expenditures from the operating funds. The County's contribution for the year ended June 30, 2014 was \$9,339.

The County was not required to obtain an actuarial report for the period ended June 30, 2014 since its plan qualifies as a "mini plan." A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2014. A reconciliation of changes in the aggregate liability for claims for the current year is as follows

Unpaid claims beginning of year	\$ -
Incurred claims	8,827
Payments on claims during the fiscal year	<u>(8,827)</u>
Unpaid claims end of year	<u>\$ -</u>

**(12) Deficit Fund Balance**

The Special Revenue, Urban Renewal Fund had a fund balance deficit of \$75,718 at June 30, 2014. The County plans to eliminate the deficit through the collection of tax increment financing revenue in fiscal year 2015.

**(13) Litigation**

The Adair County Conservation Board obtained federal assistance from the Hazard Mitigation Grant Program through an agreement with the Iowa Homeland Security and Emergency Management Department to help finance the construction of the Adair County Lake Orient Tornado Safe Room.

The Conservation Board awarded a contract for the Lake Orient Tornado Safe Room to Winterstein Construction on April 16, 2013. Work on the project commenced May 2013, but a stop work order was issued on September 26, 2013.

On August 14, 2014, the Adair County Conservation Board filed suit against the contractor, alleging breach of contract, breach of the implied warranties of workmanlike construction and fitness for a particular purpose and breach of express warranty arising out of the project. No opinion on the likelihood of an unfavorable outcome or the amount or range of possible loss has been expressed.

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued 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**

Adair County

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 5,692,552	5,702,229	5,702,229	(9,677)
Interest and penalty on property tax	31,576	27,000	27,000	4,576
Intergovernmental	3,279,060	3,363,614	3,789,552	(510,492)
Licenses and permits	15,332	17,800	17,800	(2,468)
Charges for service	208,947	178,495	185,415	23,532
Use of money and property	48,243	35,229	36,428	11,815
Miscellaneous	286,031	44,355	44,355	241,676
<b>Total receipts</b>	<b>9,561,741</b>	<b>9,368,722</b>	<b>9,802,779</b>	<b>(241,038)</b>
<b>Disbursements:</b>				
Public safety and legal services	1,245,884	1,381,399	1,442,322	196,438
Physical health and social services	287,759	322,837	370,735	82,976
Mental health	471,728	376,637	558,937	87,209
County environment and education	456,777	526,326	529,566	72,789
Roads and transportation	4,402,681	4,343,641	4,467,535	64,854
Governmental services to residents	325,221	346,533	352,430	27,209
Administration	769,810	814,296	843,772	73,962
Debt service	1,053,050	1,053,050	1,053,050	-
Capital projects	4,444,604	987,000	1,408,600	(3,036,004)
<b>Total disbursements</b>	<b>13,457,514</b>	<b>10,151,719</b>	<b>11,026,947</b>	<b>(2,430,567)</b>
Excess (deficiency) of receipts over (under) disbursements	(3,895,773)	(782,997)	(1,224,168)	2,671,605
Other financing sources, net	5,870,512	-	5,639,000	231,512
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,974,739	(782,997)	4,414,832	(2,440,093)
Balance beginning of year	6,564,486	3,817,487	6,562,535	1,951
Balance end of year	\$ 8,539,225	3,034,490	10,977,367	(2,438,142)

See accompanying independent auditor's report.

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Adair 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	\$ 9,561,741	66,011	9,627,752
Expenditures	13,457,514	581,294	14,038,808
Net	(3,895,773)	515,283	(4,411,056)
Other financing sources, net	5,870,512	241,006	6,111,518
Beginning fund balances	6,564,486	(73,485)	6,491,001
Ending fund balances	\$ 8,539,225	(347,762)	8,191,463

See accompanying independent auditor's report.

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$875,228. 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 exceeded the amount budgeted in the capital projects function.

Adair County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	Jul 1, 2009	-	\$ 107	107	0.0%	\$ 2,207	4.8%
2012	Jul 1, 2009	-	107	107	0.0	2,361	4.5
2013	Jul 1, 2012	-	73	73	0.0	2,502	2.9
2014	Jul 1, 2012	-	73	73	0.0	2,620	2.8

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

See accompanying independent auditor's report.

**Adair County**

**Supplementary Information**

Adair County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 108,270	7,493	7,194
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	163	-
<b>Total assets</b>	<b>\$ 108,270</b>	<b>7,656</b>	<b>7,194</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	1,500	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Resource enhancement and protection	108,270	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	6,156	7,194
Total fund balances	108,270	6,156	7,194
<b>Total liabilities, deferred inflows of resources     and fund balances</b>	<b>\$ 108,270</b>	<b>6,156</b>	<b>7,194</b>

See accompanying independent auditor's report.



Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
39,661	801,689	219,385	1,183,692
-	-	538	538
-	-	528,000	528,000
-	68,726	-	68,889
39,661	870,415	747,923	1,781,119
-	-	-	1,500
-	-	528,000	528,000
-	-	538	538
-	-	528,538	528,538
-	-	219,385	219,385
-	-	-	108,270
-	870,415	-	870,415
39,661	-	-	53,011
39,661	870,415	219,385	1,251,081
39,661	870,415	747,923	1,779,619

Adair County

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

Year ended June 30, 2014

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Revenues:			
Property tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	12,283	-	1,757
Charges for service	-	1,740	-
Use of money and property	228	21	13
Miscellaneous	-	-	-
Total revenues	12,511	1,761	1,770
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	5,500	-
Debt service	-	-	-
Total expenditures	-	5,500	-
Excess (deficiency) of revenues over (under) expenditures	12,511	(3,739)	1,770
Other financing uses:			
Transfers out	(80,000)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(67,489)	(3,739)	1,770
Fund balances beginning of year	175,759	9,895	5,424
Fund balances end of year	\$ 108,270	6,156	7,194

See accompanying independent auditor's report.

Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
-	-	307,450	307,450
-	435,869	-	435,869
-	-	15,591	29,631
-	-	-	1,740
73	2,236	428	2,999
14,178	-	-	14,178
14,251	438,105	323,469	791,867
11,548	-	-	11,548
-	-	-	5,500
-	-	202,550	202,550
11,548	-	202,550	219,598
2,703	438,105	120,919	572,269
-	(801,015)	-	(881,015)
2,703	(362,910)	120,919	(308,746)
36,958	1,233,325	98,466	1,559,827
39,661	870,415	219,385	1,251,081

Adair County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,339	61,911	105,749
Other County officials	31,173	-	-	-
Receivables:				
Property tax:				
Delinquent	-	282	380	11,635
Succeeding year	-	145,000	219,000	6,489,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	4,716	-
<b>Total assets</b>	<b>\$ 31,173</b>	<b>147,621</b>	<b>286,007</b>	<b>6,606,384</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	15	-
Salaries and benefits payable	-	-	849	-
Due to other governments	21,260	147,621	268,957	6,606,384
Trusts payable	9,913	-	-	-
Compensated absences	-	-	16,186	-
<b>Total liabilities</b>	<b>\$ 31,173</b>	<b>147,621</b>	<b>286,007</b>	<b>6,606,384</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
5,959	23,308	5,067	22,704	197,851	80,741	505,629
-	-	-	-	-	-	31,173
750	3,216	504	2,732	-	3	19,502
371,000	2,597,000	322,000	1,404,000	-	2,000	11,549,000
-	-	-	-	-	173,474	173,474
-	-	-	-	-	10,989	10,989
-	-	-	-	-	-	4,716
<b>377,709</b>	<b>2,623,524</b>	<b>327,571</b>	<b>1,429,436</b>	<b>197,851</b>	<b>267,207</b>	<b>12,294,483</b>
-	-	-	-	-	880	895
-	-	-	-	-	-	849
377,709	2,623,524	327,571	1,429,436	197,851	227,622	12,227,935
-	-	-	-	-	38,705	48,618
-	-	-	-	-	-	16,186
<b>377,709</b>	<b>2,623,524</b>	<b>327,571</b>	<b>1,429,436</b>	<b>197,851</b>	<b>267,207</b>	<b>12,294,483</b>

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 27,024	145,205	274,059	6,618,135
Additions:				
Property and other county tax	-	146,712	221,143	6,513,317
State tax credits	-	8,105	10,929	370,166
Office fees and collections	162,509	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	80,299	-	-	-
Miscellaneous	-	-	481	-
Total additions	242,808	154,817	232,553	6,883,483
Deductions:				
Agency remittances:				
To other funds	71,455	-	-	-
To other governments	96,413	152,401	220,605	6,895,234
Trusts paid out	70,791	-	-	-
Total deductions	238,659	152,401	220,605	6,895,234
Balances end of year	\$ 31,173	147,621	286,007	6,606,384

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	County Hospital	Auto License and Use Tax	Other	Total
373,502	2,418,240	315,737	1,410,400	195,042	148,396	11,925,740
373,217	2,402,856	323,955	1,419,655	-	1,592	11,402,447
20,846	103,115	18,156	78,669	-	89	610,075
-	-	-	-	-	-	162,509
-	-	-	-	-	1,740	1,740
-	-	-	-	2,750,733	-	2,750,733
-	-	-	-	-	136,879	136,879
-	-	-	-	-	115,642	195,941
-	-	-	-	-	35,932	36,413
394,063	2,505,971	342,111	1,498,324	2,750,733	291,874	15,296,737
-	-	-	-	100,515	-	171,970
389,856	2,300,687	330,277	1,479,288	2,647,409	173,063	14,685,233
-	-	-	-	-	-	70,791
389,856	2,300,687	330,277	1,479,288	2,747,924	173,063	14,927,994
377,709	2,623,524	327,571	1,429,436	197,851	267,207	12,294,483

Adair County

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

For the Last Ten Years

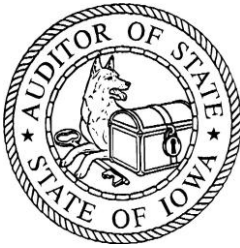
	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 4,423,885	\$ 4,251,744	3,869,754	3,348,513
Tax increment financing	832,544	644,439	13,541	-
Local option sales tax	435,869	503,817	393,649	382,925
Interest and penalty on property tax	31,576	34,847	38,153	40,603
Intergovernmental	3,344,693	3,512,965	3,345,918	4,514,671
Licenses and permits	13,628	13,234	19,665	13,045
Charges for service	212,097	208,137	216,685	218,616
Use of money and property	47,802	68,027	111,898	141,667
Miscellaneous	285,658	133,964	125,581	47,221
<b>Total</b>	<b>\$ 9,627,752</b>	<b>\$ 9,371,174</b>	<b>8,134,844</b>	<b>8,707,261</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,338,217	\$ 1,166,708	1,157,935	1,032,605
Physical health and social services	312,561	285,058	253,437	254,101
Mental health	269,793	313,493	965,012	830,960
County environment and education	455,202	458,616	442,356	395,070
Roads and transportation	4,356,764	5,146,178	3,900,205	4,398,859
Governmental services to residents	326,728	306,720	283,578	264,392
Administration	785,889	744,504	689,376	730,973
Debt service	1,053,050	765,449	268,250	65,313
Capital projects	5,140,604	1,281,359	1,949,111	2,568,105
<b>Total</b>	<b>\$ 14,038,808</b>	<b>\$ 10,468,085</b>	<b>9,909,260</b>	<b>10,540,378</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
3,167,982	3,059,585	2,940,051	2,787,863	2,811,648	2,759,307
-	155,821	224,152	228,134	197,312	177,752
359,998	389,100	384,633	331,171	288,283	-
36,663	32,615	31,970	24,795	30,144	36,769
3,406,128	4,056,407	3,570,799	3,253,022	3,698,104	3,260,303
11,581	10,785	7,996	5,892	8,773	7,082
202,184	192,838	209,970	187,939	194,725	189,774
115,319	143,624	168,860	192,220	145,577	86,316
65,442	58,841	57,627	59,213	56,182	59,825
7,365,297	8,099,616	7,596,058	7,070,249	7,430,748	6,577,128
922,347	911,956	872,781	848,714	838,304	886,203
285,962	211,656	196,164	205,790	187,905	199,768
723,834	822,903	899,924	832,900	738,628	622,373
349,061	356,852	302,639	297,218	282,131	274,487
3,317,301	3,225,904	3,049,285	3,208,317	3,689,971	3,229,715
258,019	241,661	192,932	208,987	283,523	256,920
637,063	631,016	652,064	534,470	532,093	512,160
3,180	310,430	236,213	392,157	204,537	166,302
235,048	915,695	207,174	511,154	707,302	299,472
6,731,815	7,628,073	6,609,176	7,039,707	7,464,394	6,447,400

**Adair County**



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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 Adair County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 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 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Adair County's Responses to the Findings


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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 2, 2015

Adair County

Schedule of Findings

Year ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from an employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff, Recorder and Conservation
(2) The mail opener also has access to the accounts receivable records.	Sheriff
(3) Inventory and supplies receiving, accounting and storing responsibilities are not properly segregated.	Secondary Roads

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

Responses –

Conservation – The Conservation Board Director or Park Ranger, depending upon who is scheduled to work, collects the camper fee self-registration envelopes from the park and brings them to the office. The Director runs a total from the amount written on the self-registration envelope to reconcile with what the secretary does. The envelopes are put into a locked file until the Secretary can open the envelopes, count the money and prepare a deposit slip. The Director takes the money and deposit slip to the Adair County Treasurer for deposit. Camping fees are entered into the Conservation Board financial records and balanced with the County Treasurer’s report at the end of the month.

For receipts received through the mail the Director or Secretary opens the mail, the secretary prepares the deposit slip and the Director takes the money and deposit slip to the County Treasurer for deposit. At the end of the month the Conservation Board balances its receipts with the County Treasurer report for the month. The Director will continue to evaluate procedures within the Conservation Department to maximize segregation of duties and ensure documentation of the review is maintained.

Adair County

Schedule of Findings

Year ended June 30, 2014

Recorder – The Recorder’s Office is now listing mail receipts separately. We post all receipts to a cash register, record in a fee book ledger and balance with a computerized daily fee report every night. In addition, our Vital Records and DNR receipts have an additional state report which we balance with nightly and weekly. They ACH our account weekly. We alternate daily balancing and separate the steps in preparing monthly reports. In the future our office may need to purchase the cash receipting program.

Sheriff – The Sheriff’s Office reviewed the findings and recommendations resulting from the audit conducted by Iowa’s Office of Auditor of State.

As acknowledged in the audit’s recommendation section, the ability to segregate some duties is limited by available staff. The Sheriff believes our accountability has been greatly increased in recent months by the addition of a new records management system (RMS) wherein a username and password is required to access the system. From there, whenever any changes, deletions or additions are made to any record, a time stamp as well as the user’s specific identification number are displayed.

The Sheriff’s Office has also implemented procedures to document incoming receipts on days when the Sheriff is available in the office and not on an assignment outside the confines of the office/jail.

Lastly, an employee other than our full-time civil clerk is being cross-trained to perform the same functions as our civil clerk. For some time, when scheduling permits, a dispatcher/jailer works in the civil office and performs essentially the same tasks and duties as the civil clerk, thus providing an added layer of checks and balances.

Secondary Roads – The Secondary Roads will continue to work on improving control activities and implement the recommended independent reviews.

Conclusions – Responses accepted.

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

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

Response – The County Auditor will send a memo to all department heads toward the end of each fiscal year to remind them to ensure all capital assets are properly recorded. The memo will again be sent when the State Auditors return to start the annual audit.

Conclusion – Response accepted.

- (C) Lake Orient Safe Room Project Performance Bond – A copy of the performance bond was not furnished with the contract documents when the contract was signed between the Adair County Conservation Board and the contractor for the Lake Orient Safe Room Project. No performance bond was obtained for the project.

Adair County

Schedule of Findings

Year ended June 30, 2014

The Safe Room project was funded with federal assistance from the Hazard Mitigation Grant Program through an agreement with the Iowa Homeland Security and Emergency Management Division. The grant agreement required the Conservation Board to comply with all applicable laws and regulations, including Title 44 of the Code of Federal Regulations (CFR), especially Part 13, Administrative Requirements.

44 CFR, 13.36(h)(2) states the minimum requirements for construction or facility improvement contracts or subcontracts exceeding the simplified acquisition threshold are a performance bond on the part of the contractor for 100% of the contract price, as well as payment bond on the part of the contractor for 100% of the contract price.

Recommendation – The County Conservation Board should consult legal counsel.

Response – The Conservation Board hired Design Alliance for Phase Two Architecture/Engineering Construction Oversight Services. The Architect, the Conservation Board and Winterstien Construction all believed the performance bond was in place when the notice to proceed was issued. Winterstien Construction requested payment for the performance bond and Design Alliance certified payment application for the performance bond. Design Alliance issued a stop work order on the Lake Orient Safe room issue on September 26, 2013 because of concerns about the quality of work done not meeting project specifications. Design Alliance discovered the General Contractor, Winterstien Construction did not have the required performance bond sometime after the stop work order was issued and notified the Conservation Board. The Conservation Board notified the Adair County Attorney on November 19, 2013 that Winterstien Construction had failed to produce a performance bond, the stop work order, that payment had been made to Winterstien Construction for the performance bond and the construction issues with the Lake Orient Safe Room project. The Conservation Board also notified Iowa Homeland Security in regards to the stop work order, construction issues and the general contractor failing to provide the performance bond. The Adair County Attorney worked on the above issues until recommending the Conservation Board hire outside legal counsel. The Adair County Conservation Board, at the Adair County Attorney recommendation, hired outside legal counsel on May 8, 2014 to work on a solution to the Lake Orient Safe Room project lack of performance bond issue, quality of construction meeting specification issues and or possible litigation.

Conclusion – Response accepted.

- (D) Salvaged Materials and Scrap Metal – Although records are maintained for materials recovered from job sites, these records are not periodically reviewed by someone independent of other duties related to the materials to ensure all material is accounted for.

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

Adair County

Schedule of Findings

Year ended June 30, 2014

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

Response – Our crew leaders fill out forms for each project detailing equipment hours, labor hours, dates and materials used on the job. The County will incorporate a similar form detailing the disposal and/or salvage of all materials from our job sites, including scrap metal, used culverts and salvaged bridge materials. It will include descriptions of the materials, dates, how much is disposed of and how much is retained for sale at our auction. The records will be periodically reviewed by an independent person to ensure materials are properly accounted for. The review will document the initials of the reviewer and date of the review.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Adair County

Schedule of Findings

Year ended June 30, 2014

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the capital projects function. Also, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been properly amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – The County Auditor will continue to monitor the departmental budgets to ensure an amendment is done prior to exceeding the appropriations according to Iowa Code Chapters 331.435 and Chapter 331.434(6).

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Mikkelsen, Secondary Roads Superintendent, son-in-law is part owner of R & D Services	Diesel fuel and parts	\$ 692
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	1,983
Pam Jensen, Deputy Assessor, brother-in-law is owner of Southwest Iowa Pest Control	Pest control	572
Kurt Mackrill, Conservation Board Member, Owner of Jacobson's	Plumbing supplies	754

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

Adair County

Schedule of Findings

Year ended June 30, 2014

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

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

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

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Financial Condition – Although the Special Revenue, Urban Renewal Fund had a positive cash balance at June 30, 2014, the modified accrual basis unassigned fund balance deficit was \$75,718.

Recommendation – The County should investigate alternatives to eliminate this deficit balance.

Response – The County is currently investigating alternatives to help eliminate this deficit balance. The Special Revenue, Urban Renewal Fund will start to generate revenue so the General Fund can be reimbursed.

Conclusion – Response accepted.

- (10) Emergency Management Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted.

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

Adair County

Schedule of Findings

Year ended June 30, 2014

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

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

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Adair County

Staff

This audit was performed by:

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Laura M. Wernimont, Staff Auditor  
Amanda L. Burt, Staff Auditor  
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