



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 3, 2015

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$9,215,822 for the year ended June 30, 2014, which included \$617,680 in tax credits from the state. The County forwarded \$6,724,222 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,491,600 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$1,272,438, operating grants, contributions and restricted interest of \$3,364,538, capital grants, contributions and restricted interest of \$1,150,782, local option sales tax of \$207,420, unrestricted investment earnings of \$3,388 and other general revenues of \$74,427.

Expenses for County operations for the year ended June 30, 2014 totaled \$8,153,403, a 6.5% increase over the prior year. Expenses included \$3,831,037 for roads and transportation, \$1,233,984 for physical health and social services and \$1,130,975 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0027-B00F.pdf>.

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**DECATUR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2014**

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**Decatur County**

**Officials**

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

**Decatur County**



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Independent Auditor's Report

To the Officials of Decatur County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 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 Decatur County as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 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 May 11, 2015 on our consideration of Decatur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Decatur County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 11, 2015

**Decatur County**

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

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Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues decreased 4.3%, or approximately \$383,000, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest decreased approximately \$601,000.
- The County's governmental activities expenses increased 6.5%, or approximately \$497,000, from fiscal year 2013 to fiscal year 2014. Roads and transportation expenses increased 4.7%, or approximately \$172,000.
- The County's net position increased 2.2%, or approximately \$412,000, 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 Decatur County as a whole and present an overall view of the County's finances.

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

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

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

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

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

### *Government-wide Financial Statements*

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

The Statement of Net Position presents all of the County's assets, 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 periods.

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Decatur County's net position increased from approximately \$18.9 million to approximately \$19.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 6,008	5,889
Capital assets	17,594	16,026
Total assets	23,602	21,915
Long-term liabilities	1,055	446
Other liabilities	620	240
Total liabilities	1,675	686
Deferred inflows of resources	2,610	2,324
Net position:		
Net investment in capital assets	17,043	15,956
Restricted	1,946	2,434
Unrestricted	328	515
Total net position	\$ 19,317	18,905

Net position of Decatur County's governmental activities increased 2.2% (approximately \$18,905,000 compared to approximately \$19,317,000) from June 30, 2013 to June 30, 2014. The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net position invested in capital assets increased approximately \$1,087,000, primarily due to infrastructure contributed by the Iowa Department of Transportation.

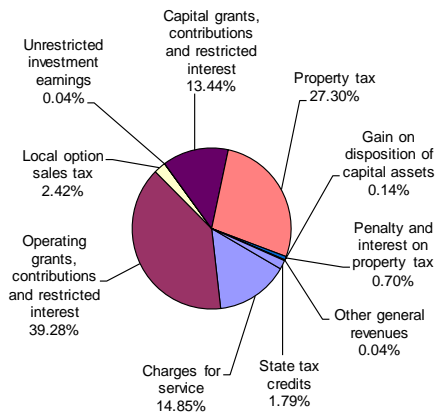
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased 20.1%, or approximately \$488,000, primarily due to decreased net position restricted for courthouse repair purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased from approximately \$515,000 at June 30, 2013 to approximately \$328,000 at the end of this year, a decrease of 36.3%. The decrease is due primarily to the unrestricted portion of the General Fund balance decreasing from the prior year.

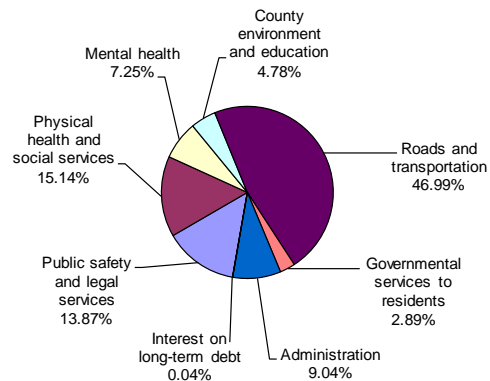
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,272	1,190
Operating grants, contributions and restricted interest	3,365	3,162
Capital grants, contributions and restricted interest	1,151	1,752
<b>General revenues:</b>		
Property tax	2,338	2,346
Penalty and interest on property tax	60	48
State tax credits	154	144
Local option sales tax	207	223
Unrestricted investment earnings	3	7
Gain on disposition of capital assets	12	68
Other general revenues	3	8
<b>Total revenues</b>	<b>8,565</b>	<b>8,948</b>
<b>Program expenses:</b>		
Public safety and legal services	1,131	979
Physical health and social services	1,234	1,157
Mental health	591	516
County environment and education	390	369
Roads and transportation	3,831	3,659
Governmental services to residents	236	269
Administration	737	641
Interest on long-term debt	3	66
<b>Total expenses</b>	<b>8,153</b>	<b>7,656</b>
<b>Change in net position</b>	<b>412</b>	<b>1,292</b>
<b>Net position beginning of year</b>	<b>18,905</b>	<b>17,613</b>
<b>Net position end of year</b>	<b>\$ 19,317</b>	<b>18,905</b>

**Revenues by Source**



**Expenses by Function**



Decatur County's net position of governmental activities increased approximately \$412,000 during the year. Revenues for governmental activities totaled approximately \$8,565,000, a decrease of 4.3% from the prior year. A decrease in capital grants, contributions and restricted interest of approximately \$601,000 was primarily due to a reduced contribution of infrastructure from the Iowa Department of Transportation. Property tax revenues account for 27.3% of governmental activities revenues.

In fiscal year 2014, the urban tax rate was \$8.12825 per \$1,000 of taxable valuation compared to the fiscal year 2013 tax rate of \$8.48434 per \$1,000 of taxable valuation. The rural tax rate in fiscal year 2014 was \$11.00121 per \$1,000 of taxable valuation compared to the fiscal year 2013 tax rate of \$11.3573 per \$1,000 of taxable valuation.

The cost of all governmental activities was approximately \$8.2 million for fiscal year 2014 compared to approximately \$7.7 million for fiscal year 2013. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was only approximately \$2,366,000 because some of the costs were paid by those directly benefited from the programs (approximately \$1,272,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,515,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$6,104,000 to approximately \$5,787,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,498,148, a decrease of \$681,720 from last year's total of \$3,179,868. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$184,000, or 6.4%, over the prior year while expenditures increased approximately \$204,000, or 6.7%, over the prior year. The ending fund balance decreased approximately \$237,000 from the prior year to approximately \$790,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2014, expenditures totaled approximately \$224,000, an increase of approximately \$59,000, or 35.5%, from the prior year. Revenues increased approximately \$82,000, or 23.9%. The Special Revenue, Mental Health Fund balance at year end increased approximately \$203,000 to approximately \$498,000.
- The Special Revenue, Rural Services Fund balance decreased approximately \$157,000 from the prior year to a deficit of approximately \$19,000. This decrease is primarily due to a decrease in intergovernmental revenues of approximately \$52,000 and an increase in public safety and legal services expenses of approximately \$60,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$454,000 over the prior year while revenues increased approximately \$208,000. The increase in revenues is primarily due to an increase in funding from the State of Iowa. The Secondary Roads Fund balance at year end decreased approximately \$325,000, or 24.1%, to approximately \$1,021,000.
- During the year ended June 30, 2014, the Capital Projects Fund was established to account for the activity of the Jail Authority, a blended component unit. The fund had expenditures of approximately \$484,000 for engineering costs and purchases of land related to the jail project. Expenditures were financed from the General Fund until outside financing was secured.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in November 2013 and resulted in an increase in budgeted disbursements of \$601,805. The primary reason for this amendment is to reflect the increased costs of mental health programs, road maintenance and courthouse repairs. The second amendment was made in May 2014 and resulted in an increase in budgeted disbursements of \$1,076,281. The primary reason for this amendment is to reflect the increase in costs to provide funding for the jail project and reflect changes in budget allocations related to re-estimates of revenues and expenses.

The County's receipts were \$1,178,422 less than budgeted, a variance of approximately 13.7%. Total disbursements were \$755,460, or 8.2%, less than the final amended budget. Even with the budget amendments, the County exceeded the budgeted amounts in the public safety and legal services, roads and transportation, non-program and debt service functions for the year ended June 30, 2014. The \$65,094 amendment decreasing the non-program function budget was made to the incorrect function. The amendment should have decreased the capital projects function. Disbursements in the mental health function were \$454,678 less than the final budget. A budget amendment was done to include the fiscal year 2013 fund balance into disbursements. Physical health and social services function disbursements were \$220,771 less than the final budget due to actual expenses for personal and family health services being less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, Decatur County had approximately \$17.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,568,000, or 9.8%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 3,069	2,730
Construction in progress	581	109
Buildings and improvements	1,548	1,423
Equipment and vehicles	1,224	1,133
Intangibles	520	520
Infrastructure	10,652	10,111
Total	\$ 17,594	16,026

The County had depreciation expense of \$941,484 in fiscal year 2014 and total accumulated depreciation of \$7,844,494 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

At June 30, 2014, Decatur County had approximately \$657,000 of outstanding debt, which included approximately \$67,000 of bank loan debt and approximately \$590,000 of project note debt, compared to total outstanding debt of approximately \$69,000 at June 30, 2013.

Outstanding Debt of Governmental Activities at Year-End (Expresses in Thousands)		
	June 30,	
	2014	2013
Bank loan	\$ 67	69
Project note	590	-
Total	<u>\$ 657</u>	<u>69</u>

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

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

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.6% versus 4.9% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Amounts available for appropriation in the fiscal year 2015 operating budget are approximately \$9,959,000, a decrease of 9.6% from the final fiscal year 2014 budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from \$2,395,614 to \$1,544,991 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 Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N. Main Street, Leon, Iowa 50144.

## **Basic Financial Statements**

**Decatur County**

**Exhibit A**

Decatur County  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,580,758
Receivables:	
Property tax:	
Delinquent	55,342
Succeeding year	2,610,000
Interest and penalty on property tax	126,879
Accounts	11,058
Accrued interest	75
Due from other governments	555,026
Revenue bond anticipation project note proceeds receivable	590,425
Inventories	436,085
Prepaid expenses	42,500
Capital assets, net of accumulated depreciation	<u>17,594,212</u>
<b>Total assets</b>	<u>23,602,360</u>
<b>Liabilities</b>	
Accounts payable	423,057
Salaries and benefits payable	86,890
Advances from grantors	57,000
Due to other governments	53,832
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	2,175
Compensated absences	164,040
Revenue bond anticipation project note	590,425
Portion due or payable after one year:	
Bank loan	64,502
Compensated absences	96,892
Net OPEB liability	<u>137,000</u>
<b>Total liabilities</b>	<u>1,675,813</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	<u>2,610,000</u>
<b>Net Position</b>	
Net investment in capital assets	17,043,085
Restricted for:	
Supplemental levy purposes	410,583
Mental health purposes	488,520
Secondary roads purposes	950,299
Other purposes	96,119
Unrestricted	<u>327,941</u>
<b>Total net position</b>	<u>\$ 19,316,547</u>

See notes to financial statements.

Decatur County

Statement of Activities

Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,130,975	103,909	6,121	-	(1,020,945)
Physical health and social services	1,233,984	360,255	639,468	-	(234,261)
Mental health	591,019	380,973	69,809	-	(140,237)
County environment and education	390,134	58,070	42,319	-	(289,745)
Roads and transportation	3,831,037	214,858	2,606,819	1,150,782	141,422
Governmental services to residents	235,846	135,134	1	-	(100,711)
Administration	736,738	19,239	-	-	(717,499)
Interest on long-term debt	3,670	-	1	-	(3,669)
<b>Total</b>	<b>\$ 8,153,403</b>	<b>1,272,438</b>	<b>3,364,538</b>	<b>1,150,782</b>	<b>(2,365,645)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,335,439
Debt service					2,272
Penalty and interest on property tax					60,030
State tax credits					153,889
Local option sales tax					207,420
Unrestricted investment earnings					3,388
Gain on disposition of capital assets					11,720
Miscellaneous					2,677
<b>Total general revenues</b>					<b>2,776,835</b>
Change in net position					411,190
Net position beginning of year					18,905,357
Net position end of year					<b>\$ 19,316,547</b>

See notes to financial statements.

Decatur County  
Balance Sheet  
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 233,546	494,896	-
Receivables:			
Property tax:			
Delinquent	33,558	6,320	10,653
Succeeding year	1,590,000	300,000	492,000
Interest and penalty on property tax	126,879	-	-
Accounts	5,929	-	11
Accrued interest	75	-	-
Due from other funds	583,342	-	-
Due from other governments	114,016	25,362	40,642
Revenue bond anticipation project note proceeds receivable	-	-	-
Inventories	-	-	-
Prepaid expenditures	42,500	-	-
<b>Total assets</b>	<b>\$ 2,729,845</b>	<b>826,578</b>	<b>543,306</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 100,652	20,766	7,566
Salaries and benefits payable	44,733	1,378	2,716
Advances from grantors	-	-	-
Due to other funds	563	-	49,574
Due to other governments	43,745	133	-
Total liabilities	189,693	22,277	59,856
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	1,590,000	300,000	492,000
Other	160,437	6,320	10,653
Total deferred inflows of resources	1,750,437	306,320	502,653
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	42,500	-	-
Restricted for:			
Supplemental levy purposes	419,331	-	-
Mental health purposes	-	497,981	-
Secondary roads purposes	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Assigned for conservation purposes	15,890	-	-
Unassigned	311,994	-	(19,203)
Total fund balances	789,715	497,981	(19,203)
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,729,845</b>	<b>826,578</b>	<b>543,306</b>

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
630,275	40,890	181,151	1,580,758
-	-	4,811	55,342
-	-	228,000	2,610,000
-	-	-	126,879
5,118	-	-	11,058
-	-	-	75
1,382	-	-	584,724
349,312	-	25,694	555,026
-	590,425	-	590,425
436,085	-	-	436,085
-	-	-	42,500
<u>1,422,172</u>	<u>631,315</u>	<u>439,656</u>	<u>6,592,872</u>
207,007	-	87,066	423,057
32,182	-	5,881	86,890
57,000	-	-	57,000
-	525,135	9,452	584,724
7,723	-	2,231	53,832
<u>303,912</u>	<u>525,135</u>	<u>104,630</u>	<u>1,205,503</u>
-	-	228,000	2,610,000
97,000	-	4,811	279,221
<u>97,000</u>	<u>-</u>	<u>232,811</u>	<u>2,889,221</u>
436,085	-	-	436,085
-	-	-	42,500
-	-	-	419,331
-	-	-	497,981
585,175	-	-	585,175
-	106,180	-	106,180
-	-	111,545	111,545
-	-	-	15,890
-	-	(9,330)	283,461
<u>1,021,260</u>	<u>106,180</u>	<u>102,215</u>	<u>2,498,148</u>
<u>1,422,172</u>	<u>631,315</u>	<u>439,656</u>	<u>6,592,872</u>

**Decatur County**



Decatur County

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

June 30, 2014

**Total governmental fund balances (page 21)** \$ 2,498,148

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$25,438,706 and the accumulated depreciation is \$7,844,494. 17,594,212

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 279,221

Long-term liabilities, including bank loan payable, revenue bond anticipation project note payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,055,034)

**Net position of governmental activities (page 18)** \$ 19,316,547

See notes to financial statements.

Decatur County

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

Year ended June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 1,584,802	301,508	440,419
Local option sales tax	-	-	207,420
Interest and penalty on property tax	34,206	-	-
Intergovernmental	1,076,648	90,089	31,130
Licenses and permits	9,175	-	-
Charges for service	272,305	-	-
Use of money and property	3,184	1,903	-
Miscellaneous	57,677	32,942	564
Total revenues	3,037,997	426,442	679,533
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	862,258	-	249,908
Physical health and social services	759,086	-	-
Mental health	354,506	223,819	-
County environment and education	274,192	-	119,335
Roads and transportation	-	-	-
Governmental services to residents	278,591	-	3,061
Administration	728,019	-	-
Debt service	6,125	-	-
Capital projects	-	-	-
Total expenditures	3,262,777	223,819	372,304
Excess (deficiency) of revenues over (under) expenditures	(224,780)	202,623	307,229
<b>Other financing sources (uses):</b>			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(12,711)	-	(464,484)
Revenue bond anticipation project note proceeds	-	-	-
Total other financing sources (uses)	(12,711)	-	(464,484)
Change in fund balances	(237,491)	202,623	(157,255)
Fund balances beginning of year	1,027,206	295,358	138,052
Fund balances end of year	\$ 789,715	497,981	(19,203)

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	-	2,326,729
-	-	-	207,420
-	-	-	34,206
2,769,172	-	389,904	4,356,943
10	-	-	9,185
110	-	1,876	274,291
-	205	5	5,297
85,314	-	7,647	184,144
2,854,606	205	399,432	7,398,215
-	-	7,704	1,119,870
-	-	459,721	1,218,807
-	-	-	578,325
-	-	18,162	411,689
3,488,258	-	-	3,488,258
-	-	-	281,652
-	-	200,469	928,488
-	-	-	6,125
155,871	484,450	-	640,321
3,644,129	484,450	686,056	8,673,535
(789,523)	(484,245)	(286,624)	(1,275,320)
-	-	3,175	3,175
464,484	-	12,711	477,195
-	-	-	(477,195)
-	590,425	-	590,425
464,484	590,425	15,886	593,600
(325,039)	106,180	(270,738)	(681,720)
1,346,299	-	372,953	3,179,868
1,021,260	106,180	102,215	2,498,148

Decatur County

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

Year ended June 30, 2014

**Change in fund balances - Total governmental funds (page 25)** \$ (681,720)

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

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

Expenditures for capital assets	\$ 1,480,517	
Capital assets contributed by the Iowa Department of Transportation	1,030,353	
Depreciation expense	<u>(941,484)</u>	1,569,386

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (955)

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 governmental funds, as follows:

Property tax	8,710	
Other	<u>125,096</u>	133,806

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the State 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	(590,425)	
Repaid	<u>2,455</u>	(587,970)

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	(10,357)	
Other postemployment benefits	<u>(11,000)</u>	(21,357)

**Change in net position of governmental activities (page 19)** \$ 411,190

See notes to financial statements.

Decatur County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 995,490
Other County officials	14,229
Receivables:	
Property tax:	
Delinquent	128,129
Succeeding year	6,263,000
Accounts	54
Special assessments	43,283
Due from other governments	33,669
<b>Total assets</b>	<b>7,477,854</b>

**Liabilities**

Accounts payable	152
Salaries and benefits payable	3,453
Due to other governments	7,441,202
Trusts payable	28,480
Compensated absences	4,567
<b>Total liabilities</b>	<b>7,477,854</b>

**Net position**

\$ -

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2014

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

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

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

A. Reporting Entity

For financial reporting purposes, Decatur County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Decatur County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The Decatur County Jail Authority is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

The Decatur County Jail Authority has been established to acquire, destruct, demolish, improve, enlarge, equip, furnish, repair, maintain and operate one or more public buildings and to acquire and prepare any necessary site, including demolition of any structures, for the joint use of the incorporating units. Although the Authority is legally separate from the County, it is controlled, managed and supervised by a jointly appointed Board approved by the County and the City of Leon. The Authority is reported as a Capital Projects Fund. Financial information of the Authority can be obtained from the Decatur County Auditor's Office.

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

The County also participates in the following jointly governed organizations: the Wayne, Ringgold and Decatur County Solid Waste Management Commission, Southern Iowa Resource Conservation and Development Area, Inc., Southern Iowa Rural Water Association and Southern Iowa Council of Governments.

B. Basis of Presentation

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

The Statement of Net Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The 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:

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

#### C. Measurement Focus and Basis of Accounting

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

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



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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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.

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

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

A deficit cash balance of a fund is eliminated against cash from other funds. The balances of the interfund amounts receivable or payable at June 30, 2014 are recorded in the fund financial statements.

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

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

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

Prepaid Expenses/Expenditures – Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid expenses/expenditures in both government-wide and fund financial statements. In governmental funds, prepaid expenditures are accounted for using the consumption method and a portion of fund balance equal to the prepaid expenditures has been reported as nonspendable to indicate it is not available for appropriation.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased

or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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 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 receivable 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.

#### 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 amounts budgeted in the public safety and legal services, road and transportation, non-program and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

### **(2) Cash 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 \$1,774,396 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

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

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Rural Services	\$ 48,877
	Debt Service	9,330
	Capital Projects	525,135
		<u>583,342</u>
Special Revenue:	General	563
Secondary Roads	Special Revenue:	
	Rural Services	697
	Juvenile Tracking	122
		<u>1,382</u>
Total		<u>\$ 584,724</u>

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

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 464,484
Courthouse Repair	General	12,711
Total		<u>\$ 477,195</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	\$ 2,730,217	338,531	-	3,068,748
Intangibles, road network	519,719	-	-	519,719
Construction in progress, road network	108,726	1,215,688	1,138,933	185,481
Construction in progress	-	395,635	-	395,635
Total capital assets not being depreciated	<u>3,358,662</u>	<u>1,949,854</u>	<u>1,138,933</u>	<u>4,169,583</u>
Capital assets being depreciated:				
Buildings	1,635,508	171,984	-	1,807,492
Improvements other than buildings	386,936	-	-	386,936
Equipment and vehicles	4,939,247	389,032	21,412	5,306,867
Infrastructure, road network	12,628,895	1,138,933	-	13,767,828
Total capital assets being depreciated	<u>19,590,586</u>	<u>1,699,949</u>	<u>21,412</u>	<u>21,269,123</u>
Less accumulated depreciation for:				
Buildings	488,818	38,006	-	526,824
Improvements other than buildings	110,409	9,061	-	119,470
Equipment and vehicles	3,806,580	296,787	20,457	4,082,910
Infrastructure, road network	2,517,660	597,630	-	3,115,290
Total accumulated depreciation	<u>6,923,467</u>	<u>941,484</u>	<u>20,457</u>	<u>7,844,494</u>
Total capital assets being depreciated, net	<u>12,667,119</u>	<u>758,465</u>	<u>955</u>	<u>13,424,629</u>
Governmental activities capital assets, net	<u>\$16,025,781</u>	<u>2,708,319</u>	<u>1,139,888</u>	<u>17,594,212</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,823
Physical health and social services	20,501
Mental health	15,195
County environment and education	24,800
Roads and transportation	801,819
Governmental services to residents	7,920
Administration	15,426
Total depreciation expense - governmental activities	<u>\$ 941,484</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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 43,745
Special Revenue:		
Mental Health	Services	133
Secondary Roads	Services	7,723
Juvenile Tracking	Services	2,231
		<u>10,087</u>
Total for governmental funds		<u>\$ 53,832</u>
Agency:		
County Assessor	Collections	\$ 446,760
Schools		3,946,265
Community Colleges		188,479
Corporations		1,340,245
Townships		123,703
Auto License and Use Tax		162,075
All other		1,233,675
Total for agency funds		<u>\$ 7,441,202</u>

**(7) Long-Term Liabilities**

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

	<u>Bank</u>	<u>Project</u>	<u>Compen-</u>	<u>Net OPEB</u>	<u>Total</u>
	<u>Loan</u>	<u>Note</u>	<u>sated</u>	<u>Liability</u>	
			<u>Absences</u>		
Balance beginning of year	\$ 69,132	-	250,575	126,000	445,707
Increases	-	590,425	200,622	44,000	835,047
Decreases	2,455	-	190,265	33,000	225,720
Balance end of year	<u>\$ 66,677</u>	<u>590,425</u>	<u>260,932</u>	<u>137,000</u>	<u>1,055,034</u>
Due within one year	<u>\$ 2,175</u>	<u>590,425</u>	<u>164,040</u>	<u>-</u>	<u>756,640</u>

Bank Loan Payable

A summary of the County's June 30, 2014 bank loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.85%	\$ 2,175	2,966	5,141
2016	4.85	2,483	3,125	5,608
2017	4.85	2,616	2,991	5,607
2018	4.85	2,748	2,860	5,608
2019	4.85	2,886	2,722	5,608
2020-2024	4.85	16,745	11,293	28,038
2025-2029	4.85	21,413	6,626	28,039
2030-2032	4.85	15,611	1,213	16,824
Total		\$ 66,677	33,796	100,473

On October 1, 2011, the County borrowed \$60,000 from American State Bank to purchase a building for the Public Health Department. On June 11, 2012, the County borrowed an additional \$70,000 from American State Bank to remodel the Public Health building. The bank rolled the outstanding balance of the original loan of \$58,879 with the additional \$70,000 borrowed for a new loan of \$128,879. The loan requires monthly payments of \$844 from July 1, 2012 through June 1, 2032. On May 29, 2013, the remaining principal balance was amortized to lower the monthly payments to \$467 per month due to a payment of \$50,000 made in May 2013. The interest of 4.85% per annum and the maturity date of June 1, 2032 remain the same. During the year ended June 30, 2014, the County paid \$2,455 of principal and \$3,670 of interest on the loan.

Jail Facilities Revenue Bond Anticipation Project Note

On June 30, 2014, the Decatur County Jail Authority issued a revenue bond anticipation project note under the Authority of Section 346.27 of the Code of Iowa for the purpose of paying a portion of the costs of the acquisition, construction, furnishing and equipping of jail facilities. The facility is being built for the joint use of Decatur County and the City of Leon. The note is not to exceed \$950,000 and has an interest rate of 2.76% per annum. The maturity date for the note is June 30, 2015.

As of June 30, 2014, there had been no draws on the note. Because the closing date on the note was prior to June 30, 2014, a receivable and a liability for \$590,425 have been reported as of the closing date as prescribed by U.S. generally accepted accounting principles.

**(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 \$299,474, \$274,205 and \$251,830, 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 75 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 44,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	44,000
Contributions made	<u>(33,000)</u>
Increase in net OPEB obligation	11,000
Net OPEB obligation beginning of year	<u>126,000</u>
Net OPEB obligation end of year	<u><u>\$137,000</u></u>

For the year ended June 30, 2014, the County contributed \$33,000 to the medical plan. Plan members eligible for benefits contributed \$2,000, or 6% of 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 45,100	0.0%	\$135,000
2013	44,000	120.0	126,000
2014	44,000	75.0	137,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$347,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$347,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,185,000 and the ratio of the UAAL to covered payroll was 11.0%. 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 methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

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

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

## **(10) Risk Management**

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

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

out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2014, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2014, 2013 and 2012, the risk pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$250,074.

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

**(11) Deficit Fund Balances**

The Special Revenue, Rural Services Fund and the Debt Service Fund had deficit fund balances of \$19,203 and \$9,330, respectively, at June 30, 2014. The County will eliminate the deficits by investigating alternatives to return the funds to a sound financial position.

**(12) Higher Education Notes**

In December 2013, the County issued \$9,158,000 of refunding notes and \$2,292,000 of taxable revenue notes for Graceland University under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding on the refunding and taxable revenue notes at June 30, 2014 are \$9,158,000 and \$2,059,604, respectively. The notes and related interest are payable solely from and secured by a pledge of revenues to be received from Graceland University and the note principal and interest do not constitute liabilities of the County.

**(13) Subsequent Events**

Subsequent to year end, the Decatur County Jail Authority made three draws on the revenue bond anticipation project note, totaling \$590,425. These draws were \$530,000, \$54,144 and \$6,281 and occurred on July 1, 2014, September 30, 2014 and October 27, 2014, respectively. The note was paid off in full on December 19, 2014 with proceeds from a \$3.3 million revenue bond issuance for construction of the new jail facility.

**(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**

Decatur County

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 2,529,028	-	2,529,028
Interest and penalty on property tax	34,206	-	34,206
Intergovernmental	4,409,485	-	4,409,485
Licenses and permits	9,185	-	9,185
Charges for service	281,650	-	281,650
Use of money and property	5,234	205	5,029
Miscellaneous	177,436	-	177,436
Total receipts	7,446,224	205	7,446,019
<b>Disbursements:</b>			
Public safety and legal services	1,662,623	-	1,662,623
Physical health and social services	1,245,054	-	1,245,054
Mental health	561,543	-	561,543
County environment and education	408,249	-	408,249
Roads and transportation	3,417,823	-	3,417,823
Governmental services to residents	280,888	-	280,888
Administration	809,794	-	809,794
Nonprogram	-	-	-
Debt service	6,125	-	6,125
Capital projects	403,465	309,315	94,150
Total disbursements	8,795,564	309,315	8,486,249
Deficiency of receipts under disbursements	(1,349,340)	(309,110)	(1,040,230)
Other financing sources, net	353,175	350,000	3,175
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(996,165)	40,890	(1,037,055)
Balance beginning of year	2,576,923	-	2,576,923
Balance end of year	\$ 1,580,758	40,890	1,539,868

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
2,687,363	2,687,363	(158,335)
-	-	34,206
4,177,058	4,861,554	(452,069)
6,400	6,400	2,785
279,356	283,356	(1,706)
16,419	16,419	(11,390)
221,660	769,349	(591,913)
<u>7,388,256</u>	<u>8,624,441</u>	<u>(1,178,422)</u>
1,049,718	1,634,448	(28,175)
1,360,903	1,465,825	220,771
634,949	1,016,221	454,678
386,576	448,451	40,202
2,983,291	3,403,440	(14,383)
307,825	309,325	28,437
624,361	848,093	38,299
-	(65,094)	(65,094)
-	-	(6,125)
216,000	181,000	86,850
<u>7,563,623</u>	<u>9,241,709</u>	<u>755,460</u>
(175,367)	(617,268)	(422,962)
-	-	3,175
(175,367)	(617,268)	(419,787)
2,133,137	2,570,981	5,942
<u>1,957,770</u>	<u>1,953,713</u>	<u>(413,845)</u>

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Decatur 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	\$ 7,446,224	(48,009)	7,398,215
Expenditures	8,795,564	(122,029)	8,673,535
Net	(1,349,340)	74,020	(1,275,320)
Other financing sources, net	353,175	240,425	593,600
Beginning fund balances	2,576,923	602,945	3,179,868
Ending fund balances	\$ 1,580,758	917,390	2,498,148

See accompanying independent auditor's report.



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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,678,086. 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 amounts budgeted in the public safety and legal services, roads and transportation, non-program and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Decatur County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
2010	July 1, 2009	-	\$ 282	282	0.0%	\$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.0	2,685	10.5
2012	July 1, 2009	-	282	282	0.0	2,702	10.4
2013	July 1, 2012	-	347	347	0.0	2,908	11.9
2014	July 1, 2012	-	347	347	0.0	3,185	11.0

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.

## **Supplementary Information**

Decatur County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
<b>Assets</b>				
Cash and pooled investments	\$ 8,833	30,558	5,085	8,228
Receivables:				
Delinquent property tax	-	-	-	-
Succeeding year property tax	-	-	-	-
Due from other governments	-	-	-	21,321
<b>Total assets</b>	<b>\$ 8,833</b>	<b>30,558</b>	<b>5,085</b>	<b>29,549</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	1,849
Salaries and benefits payable	-	-	-	5,881
Due to other funds	-	-	-	122
Due to other governments	-	-	-	2,231
Total liabilities	-	-	-	10,083
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for other purposes	8,833	30,558	5,085	19,466
Unassigned	-	-	-	-
Total fund balances	8,833	30,558	5,085	19,466
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,833</b>	<b>30,558</b>	<b>5,085</b>	<b>29,549</b>

See accompanying independent auditor's report.

Special Revenue					
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total
1,328	8,421	7,143	111,555	-	181,151
-	-	-	-	4,811	4,811
-	-	-	-	228,000	228,000
4,373	-	-	-	-	25,694
5,701	8,421	7,143	111,555	232,811	439,656
-	87	-	85,130	-	87,066
-	-	-	-	-	5,881
-	-	-	-	9,330	9,452
-	-	-	-	-	2,231
-	87	-	85,130	9,330	104,630
-	-	-	-	228,000	228,000
-	-	-	-	4,811	4,811
-	-	-	-	232,811	232,811
5,701	8,334	7,143	26,425	-	111,545
-	-	-	-	(9,330)	(9,330)
5,701	8,334	7,143	26,425	(9,330)	102,215
5,701	8,421	7,143	111,555	232,811	439,656

Decatur County

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

Year ended June 30, 2014

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
Revenues:				
Intergovernmental	\$ -	17,529	-	367,007
Charges for service	1,876	-	-	-
Use of money and property	1	3	-	-
Miscellaneous	-	-	-	1,446
Total revenues	1,877	17,532	-	368,453
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	457,177
County environment and education Administration	-	18,162	-	-
Total expenditures	-	18,162	-	457,177
Excess (deficiency) of revenues over (under) expenditures	1,877	(630)	-	(88,724)
Other financing sources:				
Sale of capital assets	-	-	-	3,175
Transfers in	-	-	-	-
Total other financing sources	-	-	-	3,175
Change in fund balances	1,877	(630)	-	(85,549)
Fund balances beginning of year	6,956	31,188	5,085	105,015
Fund balances end of year	\$ 8,833	30,558	5,085	19,466

See accompanying independent auditor's report.

Special Revenue						
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total	
5,118	250	-	-	-	389,904	
-	-	-	-	-	1,876	
-	-	-	-	1	5	
80	5,010	1,111	-	-	7,647	
5,198	5,260	1,111	-	1	399,432	
-	7,704	-	-	-	7,704	
2,544	-	-	-	-	459,721	
-	-	-	-	-	18,162	
-	-	-	200,469	-	200,469	
2,544	7,704	-	200,469	-	686,056	
2,654	(2,444)	1,111	(200,469)	1	(286,624)	
-	-	-	-	-	3,175	
-	-	-	12,711	-	12,711	
-	-	-	12,711	-	15,886	
2,654	(2,444)	1,111	(187,758)	1	(270,738)	
3,047	10,778	6,032	214,183	(9,331)	372,953	
5,701	8,334	7,143	26,425	(9,330)	102,215	

Decatur County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,392	278,012	78,119	3,681
Other County officials	14,229	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,438	3,624	81,146	3,798
Succeeding year	-	68,000	172,000	3,787,000	181,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 14,229</b>	<b>70,830</b>	<b>453,636</b>	<b>3,946,265</b>	<b>188,479</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	2,309	-	-
Due to other governments	14,229	70,830	446,760	3,946,265	188,479
Trusts payable	-	-	-	-	-
Compensated absences	-	-	4,567	-	-
<b>Total liabilities</b>	<b>\$ 14,229</b>	<b>70,830</b>	<b>453,636</b>	<b>3,946,265</b>	<b>188,479</b>

See accompanying independent auditor's report.



Corporations	Townships	Auto License and Use Tax	Other	Total
31,388	2,133	162,075	438,690	995,490
-	-	-	-	14,229
21,857	2,570	-	13,696	128,129
1,287,000	119,000	-	649,000	6,263,000
-	-	-	54	54
-	-	-	43,283	43,283
-	-	-	33,669	33,669
<u>1,340,245</u>	<u>123,703</u>	<u>162,075</u>	<u>1,178,392</u>	<u>7,477,854</u>
-	-	-	152	152
-	-	-	1,144	3,453
1,340,245	123,703	162,075	1,148,616	7,441,202
-	-	-	28,480	28,480
-	-	-	-	4,567
<u>1,340,245</u>	<u>123,703</u>	<u>162,075</u>	<u>1,178,392</u>	<u>7,477,854</u>

Decatur 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	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 21,101	72,658	419,406	4,070,717	191,959
Additions:					
Property and other county tax	-	68,032	171,955	3,794,342	181,265
E911 surcharge	-	-	-	-	-
State tax credits	-	4,701	11,808	262,644	12,436
Office fees and collections	181,966	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	123,184	-	-	-	-
Miscellaneous	-	-	920	-	-
Total additions	305,150	72,733	184,683	4,056,986	193,701
Deductions:					
Agency remittances:					
To other funds	97,180	-	-	-	-
To other governments	89,618	74,561	150,453	4,181,438	197,181
Trusts paid out	125,224	-	-	-	-
Total deductions	312,022	74,561	150,453	4,181,438	197,181
Balances end of year	\$ 14,229	70,830	453,636	3,946,265	188,479

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,286,732	135,139	144,095	1,043,737	7,385,544
1,275,438	119,764	-	649,635	6,260,431
-	-	-	48,982	48,982
89,140	8,392	-	74,670	463,791
-	-	-	-	181,966
-	-	1,965,721	-	1,965,721
-	-	-	18,678	18,678
-	-	-	161,090	284,274
-	-	-	221,508	222,428
1,364,578	128,156	1,965,721	1,174,563	9,446,271
-	-	76,955	12,644	186,779
1,311,065	139,592	1,870,786	864,520	8,879,214
-	-	-	162,744	287,968
1,311,065	139,592	1,947,741	1,039,908	9,353,961
1,340,245	123,703	162,075	1,178,392	7,477,854

Decatur County

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

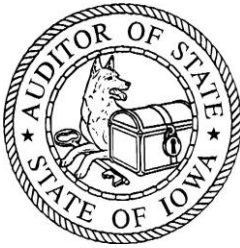
For the Last Ten Years

	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other county tax	\$ 2,326,729	2,341,345	2,641,230	2,385,586
Local option sales tax	207,420	223,325	233,863	196,528
Interest and penalty on property tax	34,206	33,658	38,698	35,276
Intergovernmental	4,356,943	4,097,394	4,734,628	4,663,097
Licenses and permits	9,185	8,287	7,041	7,462
Charges for service	274,291	275,618	276,759	298,864
Use of money and property	5,297	15,265	16,315	19,206
Miscellaneous	184,144	133,253	260,834	237,043
<b>Total</b>	<b>\$ 7,398,215</b>	<b>7,128,145</b>	<b>8,209,368</b>	<b>7,843,062</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,119,870	999,256	994,986	928,288
Physical health and social services	1,218,807	1,209,667	1,296,932	1,243,715
Mental health	578,325	491,385	1,335,574	1,132,926
County environment and education	411,689	364,291	385,260	348,532
Roads and transportation	3,488,258	3,062,269	2,714,101	2,990,872
Governmental services to residents	281,652	263,161	251,194	271,421
Administration	928,488	624,649	520,688	591,093
Non-program	-	-	-	-
Debt service	6,125	506,455	250	-
Capital projects	640,321	128,084	223,949	129,701
<b>Total</b>	<b>\$ 8,673,535</b>	<b>7,649,217</b>	<b>7,722,934</b>	<b>7,636,548</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
2,330,691	2,147,097	1,917,384	1,883,153	1,818,723	1,679,263
207,294	194,886	210,406	221,697	181,061	197,900
35,905	35,961	34,997	31,338	32,839	34,739
4,526,232	4,524,871	4,575,473	4,199,531	3,887,731	3,443,926
6,997	4,552	3,489	4,431	2,182	1,423
261,623	260,759	297,940	270,620	291,073	201,075
27,248	32,866	97,023	109,774	97,725	71,165
276,605	196,132	179,808	210,735	154,284	121,849
7,672,595	7,397,124	7,316,520	6,931,279	6,465,618	5,751,340
911,014	889,564	896,793	841,586	800,104	750,691
1,175,459	1,219,969	1,241,444	1,008,891	947,087	262,646
993,984	1,096,615	1,176,131	1,099,423	1,036,031	984,180
364,380	357,413	301,919	300,666	246,993	294,236
2,988,154	2,934,283	2,726,522	2,808,097	2,709,029	2,333,815
256,647	255,150	240,104	218,865	356,007	231,351
628,799	594,887	578,576	581,694	571,962	485,066
-	7,542	-	-	-	-
-	-	80,736	68,090	76,325	73,226
219,324	27,697	64,936	123,954	130,190	116,314
7,537,761	7,383,120	7,307,161	7,051,266	6,873,728	5,531,525

**Decatur County**



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

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Auditor of State

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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 Decatur County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 11, 2015.

Internal Control Over Financial Reporting

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

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

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

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

## Compliance and Other Matters

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

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

## Decatur County's Responses to the Findings


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

## Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 11, 2015



Decatur 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 control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Auditor – The duties of recording sick leave and vacation, entering payroll input, preparing and distributing payroll warrants and custody of undistributed payroll warrants are not segregated and there is no evidence of independent review of payroll journals. Compensated absences are not periodically reviewed by an independent person. Journal entries are not reviewed and approved by an independent person.
  - (2) Treasurer – The duties of opening the mail, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and being custodian of the change fund are not segregated. A list of checks received in the mail is periodically prepared by the mail opener, but there is no independent review or reconciliation of the initial listing. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. Additionally, the same individual who collects receipts can also void receipts and reconcile the bank account. There is no independent review of the daily motor vehicle reconciliation. A change fund for the Treasurer’s Office is shared among employees.
  - (3) Recorder – The duties of opening mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A list of checks received in the mail is not prepared by the person opening the mail. Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
  - (4) Sheriff – The duties of depositing, posting, daily reconciling and being custodian of the change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety.
  - (5) Secondary Roads Department – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and maintaining accounts receivable records are not segregated. An initial listing of mail receipts is prepared, but there is no independent review or reconciliation of the initial receipt listing.

Decatur County

Schedule of Findings

Year ended June 30, 2014

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

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

Responses –

Auditor – The Auditor and Deputy Auditor will make every attempt to segregate the duties of recording sick leave and vacation, entering payroll input, preparing and distributing payroll warrants and custody of undistributed payroll warrants. The Auditor will coordinate with the Deputy Auditor, as well as the Office Manager for Secondary Roads, to perform an independent review of the payroll journals, FICA and IPERS electronic funds transfers, compensated absences and journal entries. Said independent reviews will be documented by the initials of the reviewer and the date of review.

Treasurer – We try to provide control and review of daily transactions. Any voided statements are reviewed and reasons are documented. We will try to improve on segregation of duties as best we can with the small number of office personnel we have.

Recorder – There are only two people who work in the Recorders office. The duties of the office are shared by the Recorder and the Deputy Recorder.

Sheriff – With a small department, it is difficult to segregate duties. We will try to segregate more in the future.

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

Decatur County

Schedule of Findings

Year ended June 30, 2014

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

Public Health Department – We are a small office. I am a full time employee and make sure what I do is approved by my supervisor.

Decatur County Jail Authority – Monthly project cost recaps are prepared by the Construction Manager and presented by him to the Jail Authority Commissioners during their meetings for approval. Until recently, once bills were approved, the Commissioners would write the checks from the Authority's local bank account and two of them would sign each check. After receipt of the revenue bond proceeds by the Trustee, a requisition form is now completed for each approved bill, signed by an authorized officer of the County and of the Authority and e-mailed to the Trustee for payment. A summary of the bank statements is provided every month to all three Jail Authority Commissioners, as well as to the Construction Manager, for their review, which going forward, will be documented by the reviewer's initials and review date.

Conclusions –

Recorder, Secondary Roads Department and Public Health Department – Response acknowledged. The Departments should utilize current personnel or personnel from other offices to provide additional control.

All Others - Responses accepted.

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

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

Recommendation – The County should implement procedures to ensure all receivables, payables, prepaid expenses/expenditures and capital asset additions and deletions are properly identified and included in the County's financial statements. In addition, the County should implement procedures to ensure all financial transactions are properly classified.

Response – Last year, we implemented a quarterly review by all department heads of their capital assets in an effort to keep current on all capital asset additions and deletions for inclusion on the financial statement. We will make every effort to fine tune this process to ensure all transactions are properly identified. Procedures will be implemented to properly record receivables, payables and prepaid expenses/expenditures in the County's financial statements.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2014

- (C) Bank Reconciliations – During the year ended June 30, 2014, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2014, the book balance exceeded the bank balance by approximately \$19,906.

Recommendation – The County should investigate and resolve variances between the bank balance and the general ledger.

Response –

Treasurer – As the County Treasurer passed away in December 2014, we are, at this time, trying to delve into the accounting system and general ledger. We will try to reconcile to the best of our ability.

Auditor – The Auditor and new Treasurer will work together and with Tyler Technologies to resolve the variances.

Conclusion – Response accepted.

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

Recommendation – All collections received should be deposited intact timely.

Response – As other departments bring in checks or warrants for deposit, we always process the same day, issuing a miscellaneous receipt and depositing in the bank the next day. I will visit with other departments to suggest they bring in checks and warrants more timely.

Conclusion – Response accepted.

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

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

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

Responses –

Treasurer – We will look into this and try to comply.

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

Decatur County

Schedule of Findings

Year ended June 30, 2014

Recorder – If we were to hire a new person, it would be hands on training by the Recorder or the Deputy Recorder if one of us were here. If not, they could refer to the County Recorder’s hand book and should be able to operate the office from there.

Conclusion – Responses accepted.

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

The County does not have written policies for:

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

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

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

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

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2014

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

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

Response – We will balance the carry over each month and will prepare the spreadsheet monthly.

Conclusion – Response accepted.

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

Recommendation – The County should perform annual employee performance evaluations as required by the County’s personnel policy.

Response – A concerted effort to have employee evaluations occur per the County’s personnel policy will be made.

Conclusion – Response accepted.

- (I) Timesheets – Department head timesheets are not always approved by the Board of Supervisors. Certain employee timesheets did not include a supervisory signature. Secondary Roads department timesheets did not always include the employee’s signature.

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

Response – Efforts will continue to be made to ensure all timesheets are signed by the employee and are reviewed and approved by the appropriate department supervisor.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Decatur 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 amounts budgeted in the public safety and legal services, roads and transportation, non-program and debt service functions. Also, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. 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 – In an effort to more closely track departmental expenses versus their appropriation, new procedures have been implemented over the past year, which include the Auditor presenting the Board of Supervisors, at least monthly, with departmental expenditure status reports and cash balance reports.

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>
Rich Erke, Conservation Director, Son owns Midwest Land Restoration	Habitat improvement	\$ 3,500
Gene Olsen, Conservation Board Member, Construction contractor	Bait shop construction	1,388
J.R. Cornett, Board of Supervisors, owns Carquest of Lamoni	Auto repair and supplies	545
Jim Fulton, Board of Supervisors, Sole proprietor of Fulton Electric	Electrical repair	54

Decatur County

Schedule of Findings

Year ended June 30, 2014

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transaction with Midwest Land Restoration may represent a conflict of interest since the total transactions exceeded \$1,500 during the year.

The transactions with Gene Olsen, J.R. Cornett and Jim Fulton 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 individual 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 legal counsel to determine the disposition of the matter.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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



Decatur County

Schedule of Findings

Year ended June 30, 2014

- (10) Financial Condition – The Special Revenue, Rural Services Fund and the Debt Service Fund had deficit fund balances at June 30, 2014.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balances to return the funds to a sound financial positions.

Response – The Debt Service Fund deficit fund balance was corrected in August 2014. We are currently looking into the issue of the Rural Services Fund balance and making adjustments as necessary. The new procedures mentioned in the response to the Certified Budget finding above are intended to prevent deficit fund balances going forward.


Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

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Benjamin P. James, CPA, Staff Auditor  
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