

**BUCHANAN COUNTY**  
**Independence, Iowa**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2012

**BUCHANAN COUNTY**  
**Independence, Iowa**

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**BUCHANAN COUNTY**  
**Independence, Iowa**

**OFFICIALS**

Ellen Gaffney ..... Board of Supervisors ..... January 2013  
Ralph Kremer ..... Board of Supervisors ..... January 2015  
Gary Gissel ..... Board of Supervisors ..... January 2015

Cindy Gosse ..... County Auditor ..... January 2013  
Judy Harland ..... County Treasurer ..... January 2015  
Diane Curry ..... County Recorder ..... January 2015  
Bill Wolfgram ..... County Sheriff ..... January 2013  
Shawn Harden ..... County Attorney ..... January 2015  
Brad Harms ..... County Assessor ..... Appointed



## **Independent Auditor's Report**

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To the Officials of Buchanan County  
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buchanan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Buchanan County at June 30, 2012, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 on our consideration of Buchanan County's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 38 through 41 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 the 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 auditing standards generally accepted in the United States of America, which consisted of inquires 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

March 28, 2013

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Buchanan 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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 8.32%, or approximately \$1,377,973, from fiscal 2011 to fiscal 2012. Property tax increased approximately \$15,428, charges for services decreased \$85,973, operating grants increased by \$756,401, and capital grants and contributions increased approximately \$800,824.
- Program expenses were 0.39% or approximately \$63,827, less in fiscal 2012 than in fiscal 2011. Roads and Transportation expense decreased approximately \$741,764 and County Environment and Education expense decreased approximately \$573,991 while Non-Program expense increased \$461,778 and Mental Health expense increased \$418,692.
- The County's net assets increased 3.23% or approximately \$992,455, from June 30, 2011 to June 30, 2012.

### **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 Assets and a Statement of Activities. These provide information about the activities of Buchanan 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 operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Buchanan 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 funds 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 Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 and emergency management services and the County Assessor, to name a few.

**REPORTING THE COUNTY’S FINANCIAL ACTIVITIES (CONTINUED)**

The required financial statements for fiduciary funds include a Statement of Fiduciary Assets and Liabilities.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Buchanan County’s combined net assets were increased from a year ago, increasing from \$30.7 million to \$31.7 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2012	2011
Current & Other Assets	\$19,229	\$14,581
Capital Assets (Net of Depreciation)	30,611	29,231
Total Assets	49,840	43,812
Long-Term Debt Outstanding	9,131	4,578
Other Liabilities	9,006	8,524
Total Liabilities	18,137	13,102
Net Assets:		
Invested in Capital Assets, Net of Related Debt	26,443	25,194
Restricted	6,872	4,169
Unrestricted	(1,612)	1,347
Total Net Assets	\$31,703	\$30,710

Net assets of Buchanan County’s governmental activities increased 3.23% (\$31.7 million compared to \$30.7 million). The largest portion of the County’s net assets is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,347,095 at June 30, 2011 to \$(1,612,110) at the end of this year, a substantial decrease.

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

	Year ended June 30, 2012	Year ended June 30, 2011
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,264	\$ 2,350
Operating Grants, Contributions & Restricted Interest	5,451	4,695
Capital Grants, Contributions & Restricted Interest	1,323	522
General Revenues:		
Property Tax	7,031	7,003
Penalty & Interest on Property Tax	60	61
State Tax Credits	280	291
Local Option Sales Tax	873	957
Unrestricted Investment Earning	13	6
Other General Revenues	122	194
<b>Total Revenues</b>	<b>17,417</b>	<b>16,079</b>
Program Expenses:		
Public Safety & Legal Services	2,983	2,907
Physical Health & Social Services	515	456
Mental Health	3,280	2,861
County Environment & Education	629	1,203
Roads & Transportation	5,955	6,696
Governmental Services to Residents	649	641
Administration	1,440	1,365
Non-Program	613	151
Interest on Long-Term Debt	360	208
<b>Total Expenses</b>	<b>16,424</b>	<b>16,488</b>
Increase (Decrease) in Net Assets	993	(409)
Net Assets Beginning of Year	30,710	31,119
<b>Net Assets End of Year</b>	<b>\$31,703</b>	<b>\$30,710</b>

The results of governmental activities for the year resulted in Buchanan County's net assets increasing by approximately \$992,455. Revenues for governmental activities increased by approximately \$1,337,973 from the prior year, with operating and capital grant revenue up from the prior year by approximately \$1,557,225.

The cost of all governmental activities this year was \$16.4 million compared to \$16.5 million last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$7,386,290 because some of the cost was paid by those directly benefiting from the programs \$(2,264,043) or by other governments and organizations that subsidized certain programs with grants and contributions \$(6,773,862). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2012 from approximately \$7.6 million to \$9.0 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$7.4 million in 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 Buchanan County completed the year, its governmental funds reported a combined fund balance of \$9,821,938, an increase of \$3,996,324 from last year's total of \$5,825,614. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased slightly and expenditures also increased when compared to the prior year. The ending fund balance showed a decrease of \$78,054 from the prior year to \$2,330,160.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$3,273,894. The Mental Health Fund balance at year end decreased by approximately \$119,802 from the prior year.
- The Rural Services Fund revenues decreased slightly while expenditures increased over the prior year. The ending fund balance showed a decrease of \$50,350 from the prior year to \$476,494.
- Secondary Roads Fund expenditures decreased by approximately \$624,565 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$149,747.
- The Debt Service Fund showed an increase in fund balance of \$3,058,353 to end the fiscal year with a balance of \$3,072,947. This is due to the issuance of refunding debt to be used to refund the 2008 General Obligation County Jail Bonds when they become callable.

## **BUDGETARY HIGHLIGHTS**

During the year, Buchanan County amended its budget one time. The amendment was made in April 2012. This amendment was made for the refunding of the jail bonds and bonding for the Narrowband Radio/Tower project. Additional money was amended for the remodeling of county offices.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, Buchanan County had approximately \$45,255,470 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,737,551 or 6% over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30, 2012	June 30, 2011
Land	\$ 2,452	\$1,995
Buildings & Improvements	9,157	8,850
Equipment & Vehicles	7,702	7,547
Infrastructure	25,483	23,944
Construction in Process	462	181
<b>Total</b>	<b>\$45,256</b>	<b>\$42,517</b>
This year's major additions include		
Infrastructure	\$ 1,539	
Secondary Road Equipment	321	
Sheriff Vehicles	84	
Conservation Cabins	125	
<b>Total</b>	<b>\$ 2,069</b>	

The County had depreciation expense of \$1,595,566 in fiscal year 2012 and total accumulated depreciation of \$14,644,723 at June 30, 2012.

The County's fiscal year 2012 capital projects budget included \$2,214,500 for capital projects, principally for the upgrading of secondary roads and bridges and construction for the Narrowband Radio Tower Project. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2012 Buchanan County has approximately \$8,795,379 in general obligation notes and other debt outstanding compared to approximately \$4,365,233 at June 30, 2011, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2012	2011
General Obligation Notes	\$ 96	\$ 52
General Obligation Bonds	8,405	3,995
Drainage Warrants	15	30
Compensated Absences	279	289
 Total	 <u>\$8,795</u>	 <u>\$4,366</u>

Buchanan County has general obligation bonds outstanding at June 30, 2012 of \$8,405,000. During 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds with \$3,105,000 to be used to refund the outstanding Jail Bonds which will be callable on June 1, 2017. This refunding was undertaken to reduce total debt service payments by \$154,685 and to obtain an economic gain of \$122,777. The bonds will be paid with property tax revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$73 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Buchanan County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various county services. One of those factors is the economy. Unemployment in the County stands at 5.3% versus 5.9% a year ago. This compares with the State's unemployment rate of 4.9% and the national rate of 7.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. With the increase in valuations in the urban areas due to the decrease in utilization of TIF by the Cities, the county was able to stabilize their levies.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan 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 Buchanan County Auditor's Office, 210 – 5<sup>th</sup> Avenue NE, City of Independence, Iowa.

**BUCHANAN COUNTY  
Independence, Iowa**

**STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$ 7,926,962
Receivables:	
Property Tax:	
Delinquent	7,282
Succeeding Year	7,286,682
Interest & Penalty On Property Tax	262
Accounts	8,380
Accrued Interest	161
Due From Other Governments	457,382
Resources Held in Escrow for Bond Refunding	3,057,279
Inventories	414,520
Prepaid Insurance	70,089
Capital Assets (Net of Accumulated Depreciation)	30,610,747
<b>TOTAL ASSETS</b>	<b>49,839,746</b>
<b>LIABILITIES</b>	
Accounts Payable	1,077,954
Accrued Interest Payable	33,307
Salaries & Benefits Payable	70,375
Due To Other Governments	538,014
Deferred Revenue:	
Succeeding Year Property Tax	7,286,682
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	10,610
General Obligation Bonds	260,000
Compensated Absences	279,255
Portion Due Or Payable After One Year:	
General Obligation Notes	85,390
General Obligation Bonds	8,145,000
Drainage Warrants Payable	15,124
Net OPEB Liability	335,499
<b>TOTAL LIABILITIES</b>	<b>18,137,210</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	26,443,127
Restricted For:	
Supplemental Levy Purposes	277,769
Mental Health Purposes	607,482
Rural Services Purposes	477,425
Secondary Roads Purposes	2,024,367
Debt Service	3,040,435
Other Purposes	444,041
Unrestricted	(1,612,110)
<b>TOTAL NET ASSETS</b>	<b>\$31,702,536</b>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2012

	Expenses	Charges for Service	Program Revenues		Net (Expense) Revenue & Changes In Net Assets
			Operating Contributions, & Restricted Interest	Grants, Contributions, & Restricted Interest	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$ 2,982,947	\$ 571,382	\$ 68,446	\$ 0	\$ (2,343,119)
Physical Health & Social Services	515,608	19,470	152,113	0	(344,025)
Mental Health	3,279,614	363,593	1,502,727	0	(1,413,294)
County Environment & Education	629,106	51,607	22,704	70,270	(484,525)
Roads & Transportation	5,954,781	137,240	3,705,217	1,252,349	(859,975)
Governmental Services to Residents	649,497	341,525	36	0	(307,936)
Administration	1,439,786	196,644	0	0	(1,243,142)
Non-Program	612,673	582,582	0	0	(30,091)
Interest on Long-Term Debt	360,183	0	0	0	(360,183)
<b>TOTAL</b>	<b>\$16,424,195</b>	<b>\$2,264,043</b>	<b>\$5,451,243</b>	<b>\$1,322,619</b>	<b>(7,386,290)</b>
<b>GENERAL REVENUES:</b>					
Property & Other County Tax Levied For:					
General Purposes					6,673,254
Debt Service					357,373
Penalty & Interest on Property Tax					59,579
State Tax Credits					279,998
Local Option Sales Tax					873,344
Unrestricted Investment Earnings					12,999
Miscellaneous					110,588
Gain on Disposal of Capital Assets					11,610
<b>TOTAL GENERAL REVENUES</b>					<b>8,378,745</b>
<b>CHANGE IN NET ASSETS</b>					<b>992,455</b>
<b>NET ASSETS BEGINNING OF YEAR</b>					<b>30,710,081</b>
<b>NET ASSETS END OF YEAR</b>					<b>\$31,702,536</b>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
Independence, Iowa

BALANCE SHEET  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	General	Special Revenue Mental Health
<b>ASSETS</b>		
Cash & Pooled Investments	\$2,338,731	\$1,180,920
Receivables:		
Property Tax:		
Delinquent	3,847	1,213
Succeeding Year	3,921,756	1,236,444
Interest & Penalty on Property Taxes	262	0
Accounts	6,739	0
Accrued Interest	146	0
Due From Other Governments	17,217	57,762
Resources Held in Escrow for Bond Refunding	0	0
Prepaid Insurance	47,660	436
Inventories	0	0
<b>TOTAL ASSETS</b>	<b>\$6,336,358</b>	<b>\$2,476,775</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 50,332	\$ 91,978
Salaries & Benefits Payable	27,625	5,349
Accrued Interest	0	0
Due To Other Governments	2,793	535,086
Deferred Revenue:		
Succeeding Year Property Tax	3,921,756	1,236,444
Other	3,692	1,164
Total Liabilities	4,006,198	1,870,021
Fund Balances:		
Nonspendable:	0	0
Inventories	47,660	436
Prepaid Insurance		
Restricted For:		
Supplemental Levy Purposes	276,958	0
Mental Health Purposes	0	606,318
Rural Services Purposes	0	0
Secondary Roads Purposes	0	0
Drainage Warrants	0	0
Conservation Land Acquisition Purposes	253,486	0
Debt Service	0	0
Capital Projects	0	0
Other Purposes	0	0
Assigned	288,605	0
Unassigned	1,463,451	0
Total Fund Balances	2,330,160	606,754
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$6,336,358</b>	<b>\$2,476,775</b>

See Notes To Financial Statements

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 417,590	\$2,147,375	\$ 15,650	\$1,192,506	\$ 7,292,772
1,767	0	455	0	7,282
1,661,547	0	466,935	0	7,286,682
0	0	0	0	262
0	1,641	0	0	8,380
0	0	0	15	161
144,742	237,661	0	0	457,382
0	0	3,057,279	0	3,057,279
827	21,166	0	0	70,089
0	414,520	0	0	414,520
<u>\$2,226,473</u>	<u>\$2,822,363</u>	<u>\$3,540,319</u>	<u>\$1,192,521</u>	<u>\$18,594,809</u>
\$ 74,000	\$ 624,236	\$ 0	\$ 29,845	\$ 870,391
12,674	24,727	0	0	70,375
0	0	0	358	358
0	135	0	0	538,014
1,661,547	0	466,935	0	7,286,682
1,758	0	437	0	7,051
<u>1,749,979</u>	<u>649,098</u>	<u>467,372</u>	<u>30,203</u>	<u>8,772,871</u>
0	414,520	0	0	414,520
827	21,166	0	0	70,089
0	0	0	0	276,958
0	0	0	0	606,318
475,667	0	0	0	475,667
0	1,737,579	0	0	1,737,579
0	0	0	11,318	11,318
0	0	0	0	253,486
0	0	3,072,947	0	3,072,947
0	0	0	1,030,534	1,030,534
0	0	0	120,466	120,466
0	0	0	0	288,605
0	0	0	0	1,463,451
<u>476,494</u>	<u>2,173,265</u>	<u>3,072,947</u>	<u>1,162,318</u>	<u>9,821,938</u>
<u>\$2,226,473</u>	<u>\$2,822,363</u>	<u>\$3,540,319</u>	<u>\$1,192,521</u>	<u>\$18,594,809</u>

**BUCHANAN COUNTY**  
**Independence, Iowa**

**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
June 30, 2012

**Total Governmental Fund Balances (Page 13)** \$ 9,821,938

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$45,255,470 and the accumulated depreciation/amortization is \$14,644,723. 30,610,747

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 7,051

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 426,626

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (9,163,826)

**Net Assets of Governmental Activities (Pages 10-11)** \$31,702,536

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

	General	Special Revenue Mental Health
<b>REVENUES:</b>		
Property & Other County Tax	\$3,784,139	\$1,236,810
Local Option Sales Tax	0	0
Interest & Penalty on Property Tax	59,579	0
Intergovernmental	648,804	1,912,594
Licenses & Permits	550	0
Charges for Service	641,758	0
Use of Money & Property	53,359	0
Miscellaneous	57,221	4,688
Total Revenues	5,245,410	3,154,092
<b>EXPENDITURES:</b>		
Operating:		
Public Safety & Legal Services	1,963,792	0
Physical Health & Social Services	456,631	0
Mental Health	0	3,273,894
County Environment & Education	663,448	0
Roads & Transportation	0	0
Governmental Services to Residents	637,594	0
Administration	1,338,817	0
Non-Program	52,126	0
Debt Service	0	0
Capital Projects	183,388	0
Total Expenditures	5,295,796	3,273,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,386)	(119,802)
Other Financing Sources (Uses):		
Sale of Capital Assets	41,332	0
Transfers In	6,000	0
Transfers Out	(75,000)	0
General Obligation Bonds Issued	0	0
General Obligation Note Issued	0	0
Discount on Bonds Issued	0	0
Total Other Financing Sources (Uses)	(27,668)	0
Net Change in Fund Balances	(78,054)	(119,802)
Fund Balances Beginning of Year	2,408,214	726,556
Increase in Reserve For Inventories	0	0
Fund Balances End of Year	\$2,330,160	\$ 606,754

See Notes To Financial Statements

**Exhibit E**

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 1,653,627	\$ 0	\$ 357,325	\$ 0	\$ 7,031,901
873,344	0	0	0	873,344
0	0	0	0	59,579
190,437	3,712,325	13,948	12,728	6,490,836
10,038	11,065	0	0	21,653
3,205	5	0	4,563	649,531
150,512	0	1,200	155	205,226
0	173,489	0	46,648	282,046
2,881,163	3,896,884	372,473	64,094	15,614,116
932,857	0	0	0	2,896,649
52,005	0	0	0	508,636
0	0	0	0	3,273,894
545,551	0	0	5,000	1,213,999
0	5,011,077	0	0	5,011,077
3,623	0	0	0	641,217
0	0	0	0	1,338,817
48,000	0	0	32,636	132,762
0	0	513,914	4,000	517,914
0	239,811	0	326,253	749,452
1,582,036	5,250,888	513,914	367,889	16,284,417
1,299,127	(1,354,004)	(141,441)	(303,795)	(670,301)
0	908	0	0	42,240
0	1,472,477	0	0	1,478,477
(1,397,477)	0	0	(6,000)	(1,478,477)
0	0	3,233,775	1,346,225	4,580,000
48,000	0	0	0	48,000
0	0	(33,981)	0	(33,981)
(1,349,477)	1,473,385	3,199,794	1,340,225	4,636,259
(50,350)	119,381	3,058,353	1,036,430	3,965,958
526,844	2,023,518	14,594	125,888	5,825,614
0	30,366	0	0	30,366
\$ 476,494	\$2,173,265	\$3,072,947	\$1,162,318	\$ 9,821,938

**BUCHANAN COUNTY  
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2012

**Net Change in Fund Balances - Total Governmental Funds (Page 16)** **\$3,965,958**

*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	\$1,760,850	
Capital Assets Contributed by the Iowa Department of Transportation	1,245,241	
Depreciation/Amortization Expense	<u>(1,595,566)</u>	1,410,525

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (30,630)

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

Property Tax		3,046
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments as follows:

Issued	(4,628,000)	
Repaid	<u>188,597</u>	(4,439,403)

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 governmental funds as follows:

Compensated Absences	9,257	
Other Postemployment Benefits	(122,747)	
Interest on Long-Term Debt	<u>(16,269)</u>	(129,759)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 30,366

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 182,352

**Change in Net Assets of Governmental Activities (Page 11)** **\$ 992,455**

See Notes to Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2012

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash & Cash Equivalents	\$634,190
<hr/>	
<b>LIABILITIES</b>	
Accounts Payable	207,564
<hr/>	
<b>NET ASSETS</b>	
Unrestricted	\$426,626
<hr/>	

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2012

	Internal Service Employee Group Health
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,766,366
Reimbursements From Employees	108,954
Miscellaneous	397,094
Total Operating Revenues	<u>2,272,414</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	1,707,842
Insurance Premiums	359,959
Administrative Fees	28,964
Total Operating Expenses	<u>2,096,765</u>
Operating Income	175,649
<b>NON-OPERATING REVENUES:</b>	
Interest on Investments	<u>6,703</u>
Net Income	182,352
Net Assets Beginning of Year	<u>244,274</u>
Net Assets End of Year	<u>\$ 426,626</u>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2012

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$ 1,766,366
Cash Received From Employees & Others	506,048
Cash Payments To Suppliers For Services	(2,362,106)
Net Cash Used in Operating Activities	<u>(89,692)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>6,703</u>
Net Decrease in Cash & Cash Equivalents	(82,989)
Cash & Cash Equivalents Beginning of Year	<u>717,179</u>
Cash & Cash Equivalents End of Year	<u>\$ 634,190</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating Income	\$ 175,649
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:	
Decrease In Accounts Payable	<u>(265,341)</u>
Net Cash Used in Operating Activities	<u>\$ (89,692)</u>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2012

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$ 1,016,750
Other County Officials	39,061
Receivables:	
Property Tax:	
Delinquent	983
Succeeding Year	20,814,972
Accounts	10,700
Accrued Interest	61
<b>TOTAL ASSETS</b>	<b>21,882,527</b>

**LIABILITIES**

Accounts Payable	10,166
Due To Other Governments	21,789,918
Trusts Payable	82,443
<b>TOTAL LIABILITIES</b>	<b>21,882,527</b>

<b>NET ASSETS</b>	<b>\$ 0</b>
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See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

## **Notes to Financial Statements**

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**Note 1: Summary of Significant Accounting Policies**

Buchanan 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, Buchanan 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 Buchanan County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Buchanan County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Buchanan County Auditor's office.

Jointly Governed Organizations – The County also 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 Buchanan County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, and Buchanan County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets 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 Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

#### Special Revenue

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION (CONTINUED)

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

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

Additionally the County reports the following funds:

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

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

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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, 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 assets available to finance the program. It is the County's policy to first apply the 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.

## Notes to Financial Statements (Continued)

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### *Note 1: Summary of Significant Accounting Policies (Continued)*

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The proprietary funds of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

Resources Held in Escrow for Bond Refunding – As part of a crossover bond refunding, the County has resources held by Bankers Trust in an escrow account. They will be held and used to fund the debt service requirements of the refunded debt through June 1, 2017.

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.

## Notes to Financial Statements (Continued)

### Note 1: Summary of Significant Accounting Policies (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

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.

Drainage Assessments Receivable – Drainage assessments receivable represent the amounts assessed to individuals for work done on drainage districts which benefit their property.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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 Assets. 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings & Improvements	25,000
Intangibles	25,000
Equipment & Vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Unassigned – All amounts not included in other classifications.

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

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the Debt Service & Non-Program functions and disbursements in the County Farm department exceeded the amount appropriated.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 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 amortized cost of \$5,376,198, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

*Credit Risk.* The investment in Iowa Public Agency Investment Trust is unrated.

## Notes to Financial Statements (Continued)

### Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General	\$ 75,000
	Special Revenue:	
	Rural Services	1,397,477
General	REAP	6,000
Total		<u>\$1,478,477</u>

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

### Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Land	\$ 1,994,898	\$ 456,662	\$ 0	\$ 2,451,560
Construction in Progress	181,828	2,125,644	1,845,936	461,536
Total Capital Assets Not Being Depreciated	<u>2,176,726</u>	<u>2,582,306</u>	<u>1,845,936</u>	<u>2,913,096</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	8,850,380	306,529	0	9,156,909
Machinery & Equipment	6,490,477	296,695	167,927	6,619,245
Vehicles	1,056,587	173,757	147,280	1,083,064
Infrastructure	23,943,749	1,539,407	0	25,483,156
Total Capital Assets Being Depreciated	<u>40,341,193</u>	<u>2,316,388</u>	<u>315,207</u>	<u>42,342,374</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	2,244,508	174,400	0	2,418,908
Machinery & Equipment	4,253,456	390,203	126,733	4,516,926
Vehicles	713,347	103,878	111,177	706,048
Infrastructure	6,075,756	927,085	0	7,002,841
Total Accumulated Depreciation	<u>13,287,067</u>	<u>1,595,566</u>	<u>237,910</u>	<u>14,644,723</u>
Total Capital Assets Being Depreciated, Net	<u>27,054,126</u>	<u>720,822</u>	<u>77,297</u>	<u>27,697,651</u>
Governmental Activities Capital Assets, Net	<u>\$29,230,852</u>	<u>\$3,303,128</u>	<u>\$1,923,233</u>	<u>\$30,610,747</u>

## Notes to Financial Statements (Continued)

### Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety & Legal Services	\$ 172,804
Mental Health	7,813
County Environment & Education	54,613
Roads & Transportation	1,289,026
Governmental Services to Residents	8,304
Administration	<u>63,006</u>
Total Depreciation Expense – Governmental Activities	<u>\$1,595,566</u>

### Note 5: 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 is as follows:

Fund	Description	Amount
General	Services	\$ 2,793
Special Revenue:		
Mental Health	Services	535,086
Secondary Roads	Services	<u>135</u>
Total for Governmental Funds		<u>\$ 538,014</u>
Agency:		
Agricultural Extension	Collections	\$ 200,589
Assessor		347,038
Schools		13,870,400
Community Colleges		860,459
Corporations		4,597,382
Auto License & Use Tax		460,934
All Other		<u>1,453,116</u>
Total for Agency Funds		<u>\$21,789,918</u>

### Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012, is as follows:

	General Obligation Notes & Bonds	Conservation Notes	Fire Equipment Notes	Compensated Absences	Drainage	Total
Balance Beginning of Year	\$3,995,000	\$52,000	\$ 0	\$288,512	\$29,721	\$4,365,233
Increases	4,580,000	0	48,000	0	0	4,628,000
Decreases	<u>170,000</u>	<u>4,000</u>	<u>0</u>	<u>9,257</u>	<u>14,597</u>	<u>197,854</u>
Balance End of Year	<u>\$8,405,000</u>	<u>\$48,000</u>	<u>\$48,000</u>	<u>\$279,255</u>	<u>\$15,124</u>	<u>\$8,795,379</u>
Due Within One Year	<u>\$ 260,000</u>	<u>\$ 4,000</u>	<u>\$ 6,610</u>	<u>\$279,255</u>	<u>\$ 0</u>	<u>\$ 549,865</u>

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

#### Notes and Bonds Payable

On December 1, 2008, the County issued \$4,550,000 of General Obligation County Jail Bonds, Series 2008. The bonds were issued for the purpose of providing the funds to pay the cost of constructing, furnishing and equipping a County jail and public safety center, which was approved at a special election held on August 21, 2007. Interest ranges from 4.85% to 5.40% over the life of the issue. Interest payments are due semiannually on June 1 and December 1, from 2009 through June 1, 2027. Principal payments are due annually commencing June 1, 2009.

During the fiscal year ended June 30, 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds, Series 2012A. The proceeds of the refunding bonds were used to finance \$1,355,000 in construction of Communication Towers and \$3,105,000 was used to crossover refund General Obligation County Jail Bonds, Series 2008, representing the 2018-2027 maturities. These maturities will be called for redemption on June 1, 2017. Until then, the proceeds of the refunding bonds will be deposited in an escrow account at Bankers Trust for purposes of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments of \$154,685 and to obtain an economic gain of \$122,777.

A crossover refunding does not change the County's status as the primary obligor on the refunded debt. Consequently, there is no defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

The proceeds of the refunding bonds were also used to refund \$120,000 in E911 Telephone Surcharge Revenue Notes.

A summary of the County's General Obligation Bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	4.85%	\$ 180,000	\$191,918	\$ 371,918
2014	4.85%	190,000	183,187	373,187
2015	4.85%	195,000	173,973	368,973
2016	4.85%	205,000	164,515	369,515
2017	4.90%	3,055,000	154,573	3,209,573
		<u>\$3,825,000</u>	<u>\$868,166</u>	<u>\$4,693,166</u>

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	2.00%	\$ 80,000	\$ 121,845	\$ 201,845
2014	2.00%	85,000	106,440	191,440
2015	2.00%	85,000	104,740	189,740
2016	2.00%	85,000	103,040	188,040
2017	2.00%	90,000	101,340	191,340
2018-2022	2.00-2.30%	1,960,000	420,400	2,380,400
2023-2027	2.40-2.90%	2,195,000	183,540	2,378,540
		<u>\$4,580,000</u>	<u>\$1,141,345</u>	<u>\$5,721,345</u>

The County was in compliance in this issuance of this debt.

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

#### Conservation Contract

In August of 2009, the Board approved a contract for the purchase of land into which the Conservation Board entered. The contract was for \$60,000 to be paid in annual installments of \$4,000 for 15 years. The contract is free of interest. A summary of the contract payments is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2013	\$ 4,000
2014	4,000
2015	4,000
2016	4,000
2017	4,000
2018-2022	20,000
2023-2025	8,000
	<u>\$48,000</u>

#### Township Fire Equipment Notes

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Perry Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Perry Township. The interest rate is set at 4.38%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2019.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.38%	\$ 3,714	\$1,133	\$ 4,847
2014	4.38%	3,766	1,081	4,847
2015	4.38%	3,935	912	4,847
2016	4.38%	4,112	735	4,847
2017	4.38%	4,294	553	4,847
2018-2019	4.38%	9,179	514	9,693
		<u>\$29,000</u>	<u>\$4,928</u>	<u>\$33,928</u>

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Westburg Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Westburg Township. The interest rate is set at 4.30%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2018.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.30%	\$ 2,896	\$ 723	\$ 3,619
2014	4.30%	2,949	670	3,619
2015	4.30%	3,079	540	3,619
2016	4.30%	3,215	404	3,619
2017	4.30%	3,356	263	3,619
2018	4.30%	3,505	115	3,620
		<u>\$19,000</u>	<u>\$2,715</u>	<u>\$21,715</u>

## **Notes to Financial Statements (Continued)**

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### **Note 6: Changes in Long-Term Liabilities (Continued)**

#### **Drainage Warrants**

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

### **Note 7: 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 plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of annual 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, 2012, 2011, and 2010 were \$405,355, \$332,457, and \$299,006, respectively, equal to the required contributions for each year.

### **Note 8: Risk Management**

Buchanan County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$141,972.

## **Notes to Financial Statements (Continued)**

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### **Note 8: Risk Management (Continued)**

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of their capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond in excess of \$1,000,000 and \$20,000 per employee, with additional \$230,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 9: Health Insurance Plan**

The County is self-insured for health insurance coverage of its employees. Claims of the employees are submitted to a third-party administrator who, in turn, bills the plan funds for the necessary amount. The plan is covered by reinsurance to protect the stop-loss of 125% of expected claims.

The County's contribution for the year ended June 30, 2012 was \$1,766,366.

### **Note 10: Other Postemployment Benefits (OPEB)**

Buchanan County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

## Notes to Financial Statements (Continued)

### Note 10: Other Postemployment Benefits (OPEB) (Continued)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 105 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 benefits 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 of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$132,300
Interest on Net OPEB Obligation	5,319
Adjustment to Annual Required Contribution	(10,752)
Annual OPEB Cost (Expense)	<u>126,867</u>
Contributions Made	(4,120)
Increase in Net OPEB Obligation	<u>122,747</u>
Net OPEB Obligation Beginning of the Year	<u>212,752</u>
Net OPEB Obligation End of the Year	<u><u>\$335,499</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2012.

For the fiscal year 2012, the County contributed \$4,120 to the medical plan. Plan members receiving benefits contributed \$26,515, or 86.55% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$112,639	2.24%	\$110,110
2011	\$112,214	2.83%	\$212,752
2012	\$126,867	3.25%	\$335,499

## **Notes to Financial Statements (Continued)**

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### **Note 10: Other Postemployment Benefits (OPEB) (Continued)**

**Funded Status and Funding Progress.** As of July 1, 2009, the most recent actuarial valuation date of the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,013,171, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$1,013,171. The covered payroll (annual payroll of active employees covered by the plan ) was \$4,278,755, and the ratio of the UAAL to the covered payroll was 23.7%. As of June 30, 2012, 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 healthcare 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 the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from a 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$757 for retirees. The salary increase rate was assumed to be 4% per year.

The UAAL is being amortized on a level dollar basis over 30 years.

### **Note 11: Commitments and Contingencies**

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

### **Note 12: Related Party Transactions**

The County had business transactions between the County and County officials during the year ended June 30, 2012.

## **Notes to Financial Statements (Continued)**

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### **Note 13: Budget Over-expenditure**

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the Debt Service and Non-Program functions and disbursements in the County Farm department exceeded the amount appropriated.

### **Note 14: 28E Agreement**

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2012 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

### **Note 15: Construction Commitment**

The County has entered into various contracts totaling \$3,500,602 for roadway projects, communication towers and boilers. As of June 30, 2012 costs of \$461,536 on the projects have been incurred. The balance of \$3,039,066 remaining on the contracts at June 30, 2012 will be paid as work on the projects progress.

### **Note 16: Subsequent Events**

Management evaluated subsequent events through March 28, 2013, the date the financial statements were available to be issued.

**BUCHANAN COUNTY**  
**Independence, Iowa**

**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, 2012**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$ 7,912,714	\$ 0	\$ 7,912,714	\$ 7,775,998	\$ 7,775,998	\$ 136,716
Interest & Penalty on Property Tax	59,487	0	59,487	65,500	65,500	(6,013)
Intergovernmental	6,510,855	0	6,510,855	6,854,322	6,888,791	(377,936)
Licenses & Permits	21,618	0	21,618	14,550	14,550	7,068
Charges for Service	654,789	0	654,789	532,490	632,990	21,799
Use of Money & Property	205,683	0	205,683	193,179	200,379	5,304
Miscellaneous	295,082	46,648	248,434	75,410	112,710	135,724
<b>Total Receipts</b>	<b>15,660,228</b>	<b>46,648</b>	<b>15,613,580</b>	<b>15,511,449</b>	<b>15,690,918</b>	<b>(77,338)</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	2,952,400	0	2,952,400	2,973,593	2,998,263	45,863
Physical Health & Social Services	516,517	0	516,517	575,686	577,714	61,197
Mental Health	3,008,666	0	3,008,666	3,327,309	3,430,053	421,387
County Environment & Education	1,176,605	0	1,176,605	1,210,816	1,239,116	62,511
Roads & Transportation	4,796,650	0	4,796,650	6,106,300	6,106,300	1,309,650
Governmental Services to Residents	642,191	0	642,191	732,806	732,806	90,615
Administration	1,342,470	0	1,342,470	1,374,269	1,446,769	104,299
Non-Program	135,852	35,976	99,876	52,555	61,605	(38,271)
Debt Service	517,914	0	517,914	374,563	493,363	(24,551)
Capital Projects	729,057	0	729,057	752,000	2,214,500	1,485,443
<b>Total Disbursements</b>	<b>15,818,322</b>	<b>35,976</b>	<b>15,782,346</b>	<b>17,479,897</b>	<b>19,300,489</b>	<b>3,518,143</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(158,094)	10,672	(168,766)	(1,968,448)	(3,609,571)	3,440,805
Other Financing Sources, Net	4,636,259	0	4,636,259	10,000	1,476,100	3,160,159
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	4,478,165	10,672	4,467,493	(1,958,448)	(2,133,471)	6,600,964
Balance Beginning of Year	5,871,886	1,004	5,870,882	4,890,407	6,083,620	(212,738)
Balance End of Year	\$10,350,051	\$11,676	\$10,338,375	\$ 2,931,959	\$ 3,950,149	\$6,388,226

See Accompanying Independent Auditor's Report

**BUCHANAN COUNTY**  
**Independence, Iowa**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,660,228	\$ (46,112)	\$15,614,116
Expenditures	15,818,322	466,095	16,284,417
Net	(158,094)	(512,207)	(670,301)
Other Financing Sources, Net	4,636,259	0	4,636,259
Beginning Fund Balances	5,871,886	(46,272)	5,825,614
Increase in Reserve For:			
Inventories	0	30,366	30,366
Ending Fund Balances	\$10,350,051	\$(528,113)	\$ 9,821,938

See Accompanying Independent Auditor's Report

**Buchanan County**  
Independence, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except 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, Special Revenue Funds, Debt Service Fund and 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, a budget amendment increased budgeted disbursements by \$1,820,592. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the Debt Service and Non-Program functions and disbursements in certain departments exceeded the amounts appropriated.

Buchanan 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	\$0	\$1,013	\$1,013	0%	\$3,810	26.59%
2011	July 1, 2009	\$0	\$1,013	\$1,013	0%	\$4,005	24.94%
2012	July 1, 2009	\$0	\$1,013	\$1,013	0%	\$4,279	23.68%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

See Accompanying Independent Auditor's Report.

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING BALANCE SHEET  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2012

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>ASSETS</b>		
Cash & Pooled Investments:	\$225	\$41
Receivables:		
Accrued Interest	0	0
<b>TOTAL ASSETS</b>	<b>\$225</b>	<b>\$41</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts Payable	\$ 0	\$ 0
Accrued Interest	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>
Fund Balances		
Restricted For:		
Drainage	0	0
Capital Projects	0	0
Other Purposes	225	41
<b>TOTAL FUND BALANCES</b>	<b>225</b>	<b>41</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$225</b>	<b>\$41</b>

See Accompanying Independent Auditor's Report

**Schedule 1**

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$89,192	\$30,708	\$285	\$11,676	\$1,060,379	\$1,192,506
8	7	0	0	0	15
<u>\$89,200</u>	<u>\$30,715</u>	<u>\$285</u>	<u>\$11,676</u>	<u>\$1,060,379</u>	<u>\$1,192,521</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,845	\$ 29,845
0	0	0	358	0	358
0	0	0	358	29,845	30,203
0	0	0	11,318	0	11,318
0	0	0	0	1,030,534	1,030,534
89,200	30,715	285	0	0	120,466
<u>89,200</u>	<u>30,715</u>	<u>285</u>	<u>11,318</u>	<u>1,030,534</u>	<u>1,162,318</u>
<u>\$89,200</u>	<u>\$30,715</u>	<u>\$285</u>	<u>\$11,676</u>	<u>\$1,060,379</u>	<u>\$1,192,521</u>

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>REVENUES:</b>		
Intergovernmental	\$ 0	\$ 0
Charges for Service	0	0
Use of Money & Property	0	0
Miscellaneous	0	0
Total Revenues	0	0
<b>EXPENDITURES:</b>		
Operating:		
County Environment & Education	0	0
Non-Program	0	0
Debt Service	0	0
Capital Projects	0	0
Total Expenditures	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0
Other Financing Sources (Uses):		
Transfers In	0	0
Transfers Out	0	0
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	0	0
Fund Balances Beginning of Year	225	41
Fund Balances End of Year	\$225	\$41

See Accompanying Independent Auditor's Report

**Schedule 2**

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$12,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,728
0	4,563	0	0	0	4,563
123	32	0	0	0	155
0	0	0	46,648	0	46,648
12,851	4,595	0	46,648	0	64,094
5,000	0	0	0	0	5,000
0	0	0	32,636	0	32,636
4,000	0	0	0	0	4,000
0	0	0	0	326,253	326,253
9,000	0	0	32,636	326,253	367,889
3,851	4,595	0	14,012	(326,253)	(303,795)
(6,000)	0	0	0	0	(6,000)
0	0	0	0	1,346,225	1,346,225
(6,000)	0	0	0	1,346,225	1,340,225
(2,149)	4,595	0	14,012	1,019,972	1,036,430
91,349	26,120	285	(2,694)	10,562	125,888
\$89,200	\$30,715	\$285	\$11,318	\$1,030,534	\$1,162,318

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING SCHEDULE OF FIDUCIARY  
ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
June 30, 2012

<b>ASSETS</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$ 2,505	\$111,014	\$ 159,386
Other County Officials	39,061	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	8	10	555
Succeeding Year	0	198,076	236,086	13,710,459
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$39,061</b>	<b>\$200,589</b>	<b>\$347,110</b>	<b>\$13,870,400</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 72	\$ 0
Due To Other Governments	0	200,589	347,038	13,870,400
Trusts Payable	39,061	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$39,061</b>	<b>\$200,589</b>	<b>\$347,110</b>	<b>\$13,870,400</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Total
\$ 10,825 0	\$ 69,790 0	\$ 3,371 0	\$460,934 0	\$ 198,925 0	\$ 1,016,750 39,061
33 849,601 0 0	336 4,527,256 0 0	1 271,537 0 0	0 0 0 0	40 1,021,957 10,700 61	983 20,814,972 10,700 61
<u>\$860,459</u>	<u>\$4,597,382</u>	<u>\$274,909</u>	<u>\$460,934</u>	<u>\$1,231,683</u>	<u>\$21,882,527</u>
\$ 0 860,459 0	\$ 0 4,597,382 0	\$ 0 274,909 0	\$ 0 460,934 0	\$ 10,094 1,178,207 43,382	\$ 10,166 21,789,918 82,443
<u>\$860,459</u>	<u>\$4,597,382</u>	<u>\$274,909</u>	<u>\$460,934</u>	<u>\$1,231,683</u>	<u>\$21,882,527</u>

**BUCHANAN COUNTY**  
**Independence, Iowa**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY**  
**ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances Beginning of Year	\$ 33,010	\$195,902	\$331,749	\$12,211,130
Additions:				
Property & Other County Tax	0	197,942	236,167	13,707,301
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,695	8,780	481,812
Office Fees & Collections	498,844	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	165,356	0	0	0
Miscellaneous	0	43	117	1,617
Total Additions	664,200	205,680	245,064	14,190,730
Deductions:				
Agency Remittances:				
To Other Funds	240,023	0	0	0
To Other Governments	206,124	200,993	229,703	12,531,460
Trusts Paid Out	212,002	0	0	0
Total Deductions	658,149	200,993	229,703	12,531,460
Balances End of Year	\$ 39,061	\$200,589	\$347,110	\$13,870,400

See Accompanying Independent Auditor's Report

**Schedule 4**

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Totals
\$826,555	\$5,085,692	\$252,246	\$ 438,948	\$1,234,642	\$20,609,874
849,846	4,512,674	273,180	0	1,021,377	20,798,487
0	0	0	0	114,792	114,792
32,240	173,159	9,940	0	39,320	752,946
0	0	0	0	0	498,844
0	0	0	6,039,773	0	6,039,773
0	0	0	0	22,242	22,242
0	0	0	0	226,112	391,468
89	0	46	0	117,837	119,749
882,175	4,685,833	283,166	6,039,773	1,541,680	28,738,301
0	0	0	0	2,421	242,444
848,271	5,174,143	260,503	6,017,787	1,303,764	26,772,748
0	0	0	0	238,454	450,456
848,271	5,174,143	260,503	6,017,787	1,544,639	27,465,648
\$860,459	\$4,597,382	\$274,909	\$ 460,934	\$1,231,683	\$21,882,527

**BUCHANAN COUNTY**  
**Independence, Iowa**

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

For the Last Ten Years

	Modified Accrual Basis			
	2012	2011	2010	2009
<b>Revenues:</b>				
Property & Other County Tax	\$ 7,905,245	\$ 7,969,006	\$ 7,763,397	\$ 7,533,877
Interest & Penalty On Property Tax	59,579	61,434	66,404	63,175
Intergovernmental	6,490,836	6,797,756	6,164,281	7,651,861
Licenses & Permits	21,653	23,400	14,626	19,696
Charges For Service	649,531	587,311	506,916	528,278
Use of Money & Property	205,226	177,227	202,933	297,499
Miscellaneous	282,046	313,183	175,390	248,352
<b>Total</b>	<b>\$15,614,116</b>	<b>\$15,929,317</b>	<b>\$14,893,947</b>	<b>\$16,342,738</b>
<b>Expenditures:</b>				
Operating:				
Public Safety & Legal Services	\$ 2,896,649	\$ 2,719,842	\$ 2,275,371	\$ 2,262,534
Physical Health & Social Services	508,636	451,923	383,162	303,930
Mental Health	3,273,894	2,850,981	2,845,162	2,982,372
County Environment & Education	1,213,999	1,141,745	1,095,370	1,218,764
Roads & Transportation	5,011,077	4,951,494	3,970,327	5,289,483
Governmental Services To Residents	641,217	606,344	460,838	469,532
Administration	1,338,817	1,296,098	1,995,945	2,018,487
Non-Program	320,150	67,071	46,214	69,446
Debt Services	513,914	386,950	474,103	455,055
Capital Projects	566,064	1,175,584	3,734,032	3,203,622
<b>Total</b>	<b>\$16,284,417</b>	<b>\$15,648,032</b>	<b>\$17,280,524</b>	<b>\$18,273,225</b>

See Accompanying Independent Auditor's Report

**Schedule 5**

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 6,995,987	\$ 6,978,285	\$ 6,468,892	\$ 6,390,781	\$ 5,776,781	\$5,200,535
62,457	31,435	60,696	65,401	57,370	52,977
6,377,517	5,972,865	5,662,227	5,896,416	5,284,982	4,742,734
15,005	14,006	16,631	13,907	14,475	12,182
484,404	503,470	515,110	591,508	553,649	537,460
325,461	328,005	258,912	150,031	115,019	125,301
224,273	125,384	215,443	155,551	126,927	158,158
<b>\$14,485,104</b>	<b>\$13,953,450</b>	<b>\$13,197,911</b>	<b>\$13,263,595</b>	<b>\$11,929,203</b>	<b>\$10,829,347</b>
\$ 2,493,996	\$ 1,956,602	\$ 2,493,081	\$ 2,397,070	\$ 2,218,273	\$ 2,233,465
280,727	282,550	159,317	169,989	156,274	183,352
2,874,459	2,815,813	2,504,044	2,505,863	2,371,445	2,248,634
1,228,838	881,996	830,266	623,719	593,717	617,592
4,025,950	3,626,634	4,434,783	4,398,858	3,212,903	3,441,287
462,462	372,033	573,061	386,754	334,368	337,830
1,896,146	1,893,738	1,809,031	1,422,123	1,351,040	1,227,014
53,712	33,522	32,282	29,224	101,051	35,563
104,105	186,343	182,283	106,441	239,299	252,078
169,620	713,308	905,675	934,422	338,056	241,242
<b>\$13,590,015</b>	<b>\$12,762,539</b>	<b>\$13,923,823</b>	<b>\$12,974,463</b>	<b>\$10,916,426</b>	<b>\$10,818,057</b>



**Gardiner Thomsen**  
Certified Public Accountants

## **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***

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To the Officials of Buchanan County:  
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The management of Buchanan County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Buchanan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buchanan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Buchanan County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or 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.

### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Buchanan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that 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, 2012 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.

Buchanan County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Buchanan County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Buchanan County and other parties to whom Buchanan County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Buchanan 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.

March 28, 2013

*Gardiner Thomsen, P.C.*

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS  
Year Ended June 30, 2012

**Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES**

**A Segregation of Duties**

*Finding* – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. We noted that various functions of the County are performed by the same person.

*Criteria* – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Condition* – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

*Effect* – Transaction errors could occur and not be detected in a timely manner.

*Cause* – Limited staff available to segregate duties.

*Recommendation* – We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances.

*Response and Corrective Action Planned* – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

**B Financial Reporting**

*Finding* – During our audit, we identified material amounts of accounts receivable, accounts payable, bond proceeds and resources held in escrow for bond refunding not recorded or incorrectly recorded in the County’s financial statement.

*Criteria* – A good financial reporting system.

*Condition* – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as disbursements for goods or services received prior to June 30 to be included in the accounts payable listing. Debt was issued and the bond proceeds and resources held in escrow for bond refunding were not recorded to the County’s records.

*Effect* – The accounts receivable listing, accounts payable listing, debt, and cash were understated.

*Cause* – Limited staff.

*Recommendation* – The County should implement procedures to ensure all accounts receivable, accounts payable, bond proceeds, and resources held in escrow for bond refunding are recorded in the financial statements.

*Response and Corrective Action Planned* – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2012

**Findings Related to the Financial Statements (Continued)**

**C     Preparation of Full Disclosure Financial Statements**

*Finding* – During the audit, we noted that Buchanan County does not have the internal resources to prepare full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

*Criteria* – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

*Condition* – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

*Effect* – Although Gardiner Thomsen, P.C. assists in the preparation of the full disclosure financial statements, the management of the County thoroughly reviews them and accepts responsibility for their completeness and accuracy.

*Cause* – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

*Recommendation* – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

*Response and Corrective Action Planned* – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

**INSTANCES OF NON-COMPLAINE:**

No matters were noted.

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2012

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

1. **Certified Budget** – Disbursement during the year ended June 30, 2012 exceeded the amounts budgeted in the Non-Program and Debt Service functions. 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 disbursement 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 appropriations.

*Response* – We will amend the budget when required and appropriations will be watched more closely by the departments.

*Conclusion* – Response accepted.

2. **Questionable Expenditures** – We noted no expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transaction** – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Cindy Gosse, County Auditor</b>		
Luke Gosse Son of Cindy Gosse	Election Worker	\$ 46
<b>Cindy Gosse, County Auditor</b>		
Stephanie Witt Daughter of Cindy Gosse	Election Worker	228
<b>Michelle Mangrich, Recorder’s Office</b>		
Marlene Mangrich Mother-in-law of Michelle Mangrich	Election Worker	277
<b>Vanessa Tisl, Deputy Auditor</b>		
Maryls Miller Mother of Vanessa Tisl	Election Worker	452
<b>Vanessa Tisl, Deputy Auditor</b>		
Andrea Tisl Daughter of Vanessa Tisl	Election Worker	516
<b>Phyllis Haisch, Assessor’s Office</b>		
Lloyd Haisch Spouse of Phyllis Haisch	Election Worker	635

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2012

**Other Findings Related to Required Statutory Reporting (Continued)**

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Christine Kayser, Community Services Officer</b>		
Patricia Kayser		
Mother-in-Law of Christine Kayser	Election Worker	\$330

The services provided by Luke Gosse, Stephanie Witt, Marlene Mangrich, Marlys Miller, Andrea Tisl, Lloyd Haisch, and Patricia Kayser do not appear to represent conflicts of interest as the services provided were not in excess of \$1,500 as allowed by Chapter 331.342 of the Code of Iowa.

5. **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that 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 Chapter 12B and 12C of the Code of Iowa 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. **Economic Development** – During the year ended June 30, 2012, the County spent \$172,059 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.
10. **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, 2012 for the County Extension Office did not exceed the amount budgeted.

11. **Emergency Management Budget** – The disbursements in the Emergency Management Commission Fund exceeded the amount budgeted at June 30, 2012.

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

***Response*** – We will amend the Emergency Management Commission budget when required.

***Conclusion*** – Response accepted.