

FAYETTE COUNTY

West Union, Iowa

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

June 30, 2012

FAYETTE COUNTY
West Union, Iowa

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FAYETTE COUNTY
West Union, Iowa

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Vicki Rowland	January 2013	Board of Supervisors
Darrell Dolf.....	January 2015	Board of Supervisors
Jeanine Tellin.....	January 2015	Board of Supervisors
Lori Moellers	January 2013	Auditor
Kyle Jacobsen	January 2015	Treasurer
Karen Ford	January 2015	Recorder
Marty Fisher.....	January 2013	Sheriff
W. Wayne Saur	January 2015	Attorney
Joe Flores.....	Appointed.....	Assessor



Independent Auditor's Report

To the Officials of Fayette County
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette 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 Fayette 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 Fayette County at June 30, 2012, and the respective changes in financial position and the 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 26, 2013 on our consideration of Fayette 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 - 10 and 40 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Fayette 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 ten years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 respects in relation to the basic financial statements taken as a whole.

March 26, 2013

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Fayette County provides this Management's Discussion and Analysis of Fayette County's annual financial statements. This narrative overview and analysis of the financial activities of Fayette County 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.

FINANCIAL HIGHLIGHTS

- County governmental funds revenue increased 0.31% or approximately \$56,734 from 2011 to 2012. Property taxes increased approximately \$237,284 and operating grants, contributions & restricted interest decreased approximately \$359,026. Capital grants contributions and restricted interest decreased approximately \$1,013.
- County program expenses were 2.69% or approximately \$419,870 less in 2012 than in 2011. Mental Health expense increased approximately \$81,750. Non-Program expense increased \$31,363 while Roads and Transportation expense decreased \$873,569.
- The County's net assets increased 6.94% or approximately \$2,943,066 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 Fayette 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 Fayette County's 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 Fayette 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 non-major governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

Reporting the County as a Whole

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 about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, 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 event or 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 displayed 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, government services to residents, administration, interest on long-term debt and other non-program activities. Property taxes 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 Services, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net 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 drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the 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. The County's combined net assets were changed, increasing from \$42,383,638 to \$45,326,704. The analysis below focuses on net assets and changes in net assets of government activities.

Net Assets of Governmental Activities

	(Expressed in Thousands)	
	2012	2011
Current and Other Assets	\$12,987	\$11,674
Capital Assets	40,982	40,358
Total Assets	<u>53,969</u>	<u>52,032</u>
Long-Term Debt Outstanding	959	1,185
Other Liabilities	7,683	8,463
Total Liabilities	<u>8,642</u>	<u>9,648</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	40,633	39,673
Restricted	3,705	2,214
Unrestricted	989	497
Total Net Assets	<u>\$45,327</u>	<u>\$42,384</u>

Net assets of the County's governmental activities increased by approximately 6.94%, (from \$42,383,638) the largest portion of the County's net assets is Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. 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 increased to \$989,111.

Changes in Net Assets of Governmental Activities

	Year Ended June 30,	
	2012	2011
Program Revenues:		
Charges for Service & Sales	\$ 1,978	\$ 1,777
Operating Grants & Contributions	5,917	6,276
Capital Grants & Contributions	2,025	2,026
Property Taxes	7,399	7,161
Unrestricted Investment Earnings	26	32
Other General Revenues	1,200	1,216
Total Revenues	18,545	18,488
Program Expenses:		
Public Safety & Legal Services	3,023	3,071
Physical Health & Social Services	422	455
Mental Health	2,489	2,407
County Environment & Education	1,523	1,332
Roads & Transportation	5,773	6,647
Governmental Services to Residents	570	532
Administration	1,142	942
Non-Program	644	612
Interest on Long-Term Debt	16	23
Total Expenses	15,602	16,021
Increase in Net Assets	2,943	2,467
Net Assets Beginning of Year	42,384	39,917
Net Assets End of Year	\$45,327	\$42,384

The County's revenue increased 0.31%, 56,734. The total cost of programs and services decreased 2.62%, \$419,870, with no new programs added this year. The cost of all governmental activities was approximately \$15.6 million compared to \$16 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$5.7 million because some of the cost was paid by those directly benefited from the programs (\$1,977,658) or by other governments and organizations which subsidized certain programs with grants and contributions (\$7,941,916). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal 2012 from approximately \$10,078,768 to \$9,919,574.

Governmental Activities

Fayette County increased the property tax dollars levied for 2012 by 3.44%. This was an increase of \$237,489. Despite this tax increase, the ending balance was estimated to be less than 2011 due to expectations of revenues remaining at the lower level in 2012. The low projected fund balance to expenditure ratio at the end of the year remains a concern.

Property taxes were increased in the General Basic Fund by \$108,602; the General Supplemental Fund by \$59,476; the MHDD Fund by \$688; and the Rural Services Fund by \$59,247, all to cover miscellaneous items. The Debt Service Fund had an increase of \$9,476. This Debt Service Fund is being used to pay the jail debt and to take this burden off of the General Basic Fund Balance. We will continue to use the Debt Service Fund through June, 2013 at which time the jail will be completely paid for.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported little change in combined fund balance.

The combined ending fund balance of the General and General Supplemental Funds increased by \$479,125 from 2011 to 2012. This increase in balance was due to an increase in property tax revenue and decreased expenditures for debt service.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,472,476, an increase of 3.57% from the prior year. The Mental Health Fund balance at year end increased \$170,869 over the prior year.

The Rural Services Fund balance decreased \$31,630 from a year ago to \$467,475. This was due to an increase of property tax revenue and slightly higher expenditures.

The Secondary Road Fund ended the 2012 year with a balance of \$1,426,469. This is higher than the \$68,471 balance one year ago, due to a decrease in expenditures and an increase in reserve for inventories.

BUDGETARY HIGHLIGHTS

The budget was amended on March 5, 2012 with decreases to both Revenue and Expenditures. Reductions were made to Intergovernmental and Charges for Service Program Revenues and many Program Expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the County had \$65,720,778 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$2,000,111 or 3.14% over last year.

Capital Assets at Year End of Governmental Activities

	(Expressed in Thousands)	
	2012	2011
Land	\$ 1,402	\$ 1,402
Buildings	4,574	4,574
Equipment	9,431	9,644
Construction in Progress	7,008	5,471
Infrastructure	43,306	42,630
Total	<u>\$65,721</u>	<u>\$63,721</u>

This year's major additions include

Conservation Equipment	\$ 48
Secondary Road Equipment	71
Infrastructure	<u>2,889</u>
	<u>\$ 3,008</u>

The County had depreciation expense of \$1,721,759 for the year ended June 30, 2012 and total accumulated depreciation as of June 30, 2012 of \$24,738,371.

The County's fiscal year 2012 capital project expenditures totaled \$866,714 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

Debt Administration

At year end, the County had \$746,815 in bonds and other debt, compared to \$1,072,268 in bonds and other debt last year, as shown below.

Outstanding Debt at Year End of Governmental Activities

	(Expressed in Thousands)	
	2012	2011
General Obligation Bonds	\$350	\$ 685
Compensated Absences	397	387
	<u>\$747</u>	<u>\$1,072</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue up to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$67 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County begins the 2013 fiscal year with an actual fund balance to budgeted expenditures ratio of 12.25%. This is greater than last year, but considerably less than a few years ago when it was 17.25%. The General Basic Fund continues to be a concern considering the low fund balance. This year the General Basic Fund will be used to help pay for the lagoon project on the County Farm. The Debt Service Levy will alleviate some of this problem with the jail payment coming out of the Debt Service Levy instead of the General Basic Fund.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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 County Auditor's Office, 114 N. Vine St., West Union, IA.

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$ 4,347,562
Receivables:	
Property Tax:	15,890
Delinquent	6,788,221
Succeeding Year	73,208
Accounts	1,922
Accrued Interest	375,318
Due From Other Governments	100,000
Inventories	1,284,209
Capital Assets (Net of Accumulated Depreciation)	40,982,407
TOTAL ASSETS	53,968,737
LIABILITIES	
Accounts Payable	664,265
Accrued Interest Payable	773
Salaries & Benefits Payable	103,466
Due To Other Governments	126,771
Deferred Revenue:	
Succeeding Year Property Tax	6,788,221
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	350,000
Compensated Absences	396,815
Portion Due or Payable After One Year:	
Net OPEB Liability	211,722
TOTAL LIABILITIES	8,642,033
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	40,632,407
Restricted For:	
Supplemental Levy Purposes	1,060,109
Mental Health Purposes	655,149
Rural Services Purposes	468,674
Secondary Roads Purposes	1,239,594
Debt Service	20,380
Other Purposes	261,280
Unrestricted	989,111
TOTAL NET ASSETS	\$45,326,704

See Notes To Financial Statements

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Expenses
FUNCTIONS/PROGRAMS:	
Governmental Activities:	
Public Safety & Legal Services	\$ 3,023,063
Physical Health & Social Services	421,504
Mental Health	2,488,492
County Environment & Education	1,523,393
Roads & Transportation	5,773,263
Governmental Services to Residents	570,107
Administration	1,141,773
Non – Program	643,626
Interest on Long-Term Debt	16,491
TOTAL	<u><u>\$15,601,712</u></u>

GENERAL REVENUES:

Property & Other County Tax Levied For:
General Purposes
Debt Service
Penalties & Interest on Property Tax
State Tax Credits
Local Option Sales Tax
Unrestricted Investment Earnings
Miscellaneous
Gain on Disposal of Capital Assets
TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS BEGINNING OF YEAR

NET ASSETS END OF YEAR

See Notes To Financial Statements

Charges for Service	Program Revenues		Net (Expense) Revenue Changes in Net Assets
	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
\$ 465,705	\$ 42,859	\$ 0	\$(2,514,499)
11,225	149,224	0	(261,055)
379,363	1,519,951	0	(589,178)
80,677	321,692	20,000	(1,101,024)
28,187	3,881,383	2,004,902	141,209
368,910	0	0	(201,197)
14,274	1,905	0	(1,125,594)
629,317	0	0	(14,309)
0	0	0	(16,491)
<u>\$1,977,658</u>	<u>\$5,917,014</u>	<u>\$2,024,902</u>	<u>(5,682,138)</u>

6,705,973
296,423
79,181
317,071
641,581
26,114
541,734
17,127
<u>8,625,204</u>
2,943,066
<u>42,383,638</u>
<u>\$45,326,704</u>

FAYETTE COUNTY
West Union, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$2,327,719	\$ 835,313	\$ 419,208
Receivables:			
Property Tax:			
Delinquent	11,881	2,001	1,199
Succeeding Year	4,193,519	706,367	1,601,238
Accounts	65,314	4,376	2,083
Accrued Interest	1,830	0	0
Due From Other Governments	21,119	42,492	63,910
Inventories	0	0	0
TOTAL ASSETS	\$6,621,382	\$1,590,549	\$2,087,638
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 61,844	\$ 110,703	\$ 10,042
Salaries & Benefits Payable	52,091	6,407	7,684
Due To Other Governments	4,319	111,923	0
Deferred Revenue:			
Succeeding Year Property Tax	4,193,519	706,367	1,601,238
Other	13,003	23,598	1,199
Total Liabilities	4,324,776	958,998	1,620,163
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted For:			
Supplemental Levy Purposes	1,055,909	0	0
Mental Health Purposes	0	631,551	0
Rural Services Purposes	0	0	467,475
Secondary Roads Purposes	0	0	0
Drainage Purposes	0	0	0
Conservation Land Acquisition	57,139	0	0
Debt Service	0	0	0
Other Purposes	0	0	0
Assigned	44,580	0	0
Unassigned	1,138,978	0	0
Total Fund Balances	2,296,606	631,551	467,475
TOTAL LIABILITIES AND FUND BALANCES	\$6,621,382	\$1,590,549	\$2,087,638

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 401,750	\$225,090	\$ 4,209,080
0	809	15,890
0	287,097	6,788,221
848	555	73,176
0	92	1,922
247,797	0	375,318
1,284,209	0	1,284,209
<u>\$1,934,604</u>	<u>\$513,643</u>	<u>\$12,747,816</u>
\$ 460,347	\$ 2,000	\$ 644,936
37,284	0	103,466
10,504	25	126,771
0	287,097	6,788,221
0	809	38,609
<u>508,135</u>	<u>289,931</u>	<u>7,702,003</u>
1,284,209	0	1,284,209
0	0	1,055,909
0	0	631,551
0	0	467,475
142,260	0	142,260
0	6,336	6,336
0	0	57,139
0	19,571	19,571
0	197,805	197,805
0	0	44,580
0	0	1,138,978
<u>1,426,469</u>	<u>223,712</u>	<u>5,045,813</u>
<u>\$1,934,604</u>	<u>\$513,643</u>	<u>\$12,747,816</u>

FAYETTE COUNTY
West Union, Iowa

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

Total Governmental Fund Balances (page 15) \$ 5,045,813

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 governmental funds. The costs of the assets is \$65,720,778 and the accumulated depreciation/amortization is \$24,738,371. 40,982,407

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 38,609

Deposits made towards the purchase of capital assets are recorded as expenditures in the fund financial statements and as an asset in the Statement of Net Assets. 100,000

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. 119,185

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 funds. (959,310)

Net Assets of Governmental Activities (page 11) \$45,326,704

See Notes to Financial Statements

FAYETTE COUNTY
West Union, Iowa

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

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$4,308,466	\$ 732,005	\$ 1,659,903
Local Option Sales Tax	0	0	641,582
Interest & Penalty on Property Tax	79,181	0	0
Intergovernmental	421,235	1,903,286	336,522
Licenses & Permits	11,225	0	20,000
Charges for Service	804,170	8,054	2,400
Use of Money & Property	78,376	0	0
Miscellaneous	286,721	0	17,921
Total Revenues	<u>5,989,374</u>	<u>2,643,345</u>	<u>2,678,328</u>
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	2,867,435	0	0
Physical Health & Social Services	418,573	0	0
Mental Health	0	2,472,476	0
County Environment & Education	579,746	0	811,933
Roads & Transportation	0	0	249,903
Governmental Services to Residents	529,117	0	4,501
Administration	894,659	0	0
Non-Program	20,893	0	0
Debt Service	52,147	0	0
Capital Projects	90,280	0	0
Total Expenditures	<u>5,452,850</u>	<u>2,472,476</u>	<u>1,066,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>536,524</u>	<u>170,869</u>	<u>1,611,991</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	1,262	0	0
Transfers In	0	0	0
Transfers Out	(58,661)	0	(1,643,621)
Total Other Financing Sources (Uses)	<u>(57,399)</u>	<u>0</u>	<u>(1,643,621)</u>
Net Change in Fund Balances	479,125	170,869	(31,630)
Fund Balances Beginning of Year	1,817,481	460,682	499,105
Increase in Reserve for Inventories	0	0	0
Fund Balances End of Year	<u>\$2,296,606</u>	<u>\$ 631,551</u>	<u>\$ 467,475</u>

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 0	\$296,097	\$ 6,996,471
0	0	641,582
0	0	79,181
3,879,954	70,577	6,611,574
6,905	0	38,130
1,860	19,803	836,287
0	1,153	79,529
271,715	5,266	581,623
<u>4,160,434</u>	<u>392,896</u>	<u>15,864,377</u>
0	1,626	2,869,061
0	0	418,573
0	0	2,472,476
0	29,763	1,421,442
4,230,274	0	4,480,177
0	2,251	535,869
226,935	0	1,121,594
0	0	20,893
0	300,000	352,147
699,878	76,556	866,714
<u>5,157,087</u>	<u>410,196</u>	<u>14,558,946</u>
<u>(996,653)</u>	<u>(17,300)</u>	<u>1,305,431</u>
30,528	0	31,790
1,702,282	0	1,702,282
0	0	(1,702,282)
<u>1,732,810</u>	<u>0</u>	<u>31,790</u>
736,157	(17,300)	1,337,221
68,471	241,012	3,086,751
621,841	0	621,841
<u>\$1,426,469</u>	<u>\$223,712</u>	<u>\$ 5,045,813</u>

FAYETTE COUNTY
West Union, Iowa

RECONCILIATION 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 (pages 17-18) \$1,337,221

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

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

Expenditures for Capital Assets	\$ 436,764	
Capital Assets Contributed by the Iowa Department of Transportation	2,004,902	
Contributions from Pheasants Forever, Deposit on Future Purchase	20,000	
Depreciation Expense	<u>(1,721,759)</u>	739,907

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. (14,663)

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	5,926	
Other	<u>2,612</u>	8,538

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 repayments exceeded issuances as follows:

Repaid		335,000
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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	(9,547)	
Other Post Employment Benefits	(98,899)	
Interest on Long-Term Debt	<u>656</u>	(107,790)

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. 621,841

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. 23,012

Change in Net Assets of Governmental Activities (pages 12-13) \$2,943,066

See Notes to Financial Statements

FAYETTE COUNTY
West Union, Iowa

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND BALANCE
PROPRIETARY FUND
June 30, 2012

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$138,482
Receivables:	
Accounts	32
<hr/>	
TOTAL ASSETS	\$138,514
<hr/>	
LIABILITIES	
Accounts Payable	\$ 19,329
<hr/>	
NET ASSETS	
Unrestricted	\$119,185
<hr/>	

See Notes To Financial Statements

FAYETTE COUNTY
West Union, Iowa

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

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,332,257
Reimbursements From Employees & Others	298,332
Insurance Reimbursements	509,326
Total Operating Revenues	<u>2,139,915</u>
OPERATING EXPENSES:	
Medical Claims	462,587
Insurance Premiums	1,627,307
Administrative Fees	25,616
Miscellaneous	1,910
Total Operating Expenses	<u>2,117,420</u>
Operating Income	22,495
NON-OPERATING REVENUES:	
Interest Income	<u>517</u>
Net Income	23,012
Net Assets Beginning of Year	<u>96,173</u>
Net Assets End of Year	<u>\$ 119,185</u>

See Notes To Financial Statements

FAYETTE COUNTY
West Union, Iowa

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

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,332,257
Cash Received From Employees & Others	807,658
Cash Paid To Suppliers For Services	<u>(2,310,664)</u>
Net Cash Used in Operating Activities	<u>(170,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>559</u>
Net Decrease in Cash & Cash Equivalents	(170,190)
Cash & Cash Equivalents Beginning of Year	<u>308,672</u>
Cash & Cash Equivalents End of Year	<u>\$ 138,482</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Income	\$ 22,495
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease In Accounts Payable	<u>(193,244)</u>
Net Cash Used in Operating Activities	<u>\$ (170,749)</u>

See Notes To Financial Statements

**FAYETTE COUNTY
West Union, Iowa**

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

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$ 1,112,436
Other County Officials	355,959
Receivables:	
Property Tax:	
Succeeding Year	17,736,054
Accounts	32,329
Accrued Interest	114
Due From Other Governments	6,498
TOTAL ASSETS	19,243,390

LIABILITIES

Accounts Payable	19,580
Salaries & Benefits Payable	6,516
Due To Other Governments	18,821,722
Trusts Payable	379,112
Compensated Absences	16,460
TOTAL LIABILITIES	19,243,390

NET ASSETS	\$ 0
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See Notes To Financial Statements

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Fayette 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 presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Fayette 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 Fayette 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 unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

A drainage district has 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 this district is legally separate from the County, it is controlled, managed and supervised by the Fayette County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of this individual drainage district can be obtained from the Fayette County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Fayette County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Fayette County Assessor's Conference Board, Fayette County Emergency Management Commission, and Fayette 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.

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 the following categories.

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

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

Unrestricted net assets consist of net assets not meeting 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 that are 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 and contributions that are 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 fund, 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 other nonmajor governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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 to be used to fund mental health, mental retardation, and developmental disabilities services.

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

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

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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.

The proprietary fund 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 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 the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Due from and Due to Other Funds -- During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), 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 and Improvements	25,000
Intangibles	75,000
Equipment and Vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	40 – 65
Infrastructure	15 – 65
Intangibles	5 – 20
Equipment and Vehicles	2 – 20

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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 in 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 financial statements and the 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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.

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 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 in certain departments exceeded the amounts 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.

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

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 Basic	\$ 58,661
	Special Revenue:	
Secondary Roads	Rural Services	1,643,621
Total		<u>\$1,702,282</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:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,401,591	\$ 0	\$ 0	\$ 1,401,591
Construction in Progress	5,471,040	2,213,136	675,613	7,008,563
Total Capital Assets Not Being Depreciated	<u>6,872,631</u>	<u>2,213,136</u>	<u>675,613</u>	<u>8,410,154</u>
Capital Assets Being Depreciated:				
Buildings	4,573,523	0	0	4,573,523
Machinery & Equipment	9,644,105	148,530	361,555	9,431,080
Infrastructure	42,630,408	675,613	0	43,306,021
Total Capital Assets Being Depreciated	<u>56,848,036</u>	<u>824,143</u>	<u>361,555</u>	<u>57,310,624</u>
Less Accumulated Depreciation For:				
Buildings	1,068,159	85,497	0	1,153,656
Machinery & Equipment	6,711,437	514,028	346,892	6,878,573
Infrastructure	15,583,908	1,122,234	0	16,706,142
Total Accumulated Depreciation	<u>23,363,504</u>	<u>1,721,759</u>	<u>346,892</u>	<u>24,738,371</u>
Total Capital Assets Being Depreciated, Net	<u>33,484,532</u>	<u>(897,616)</u>	<u>14,663</u>	<u>32,572,253</u>
Governmental Activities Capital Assets, Net	<u>\$40,357,163</u>	<u>\$1,315,520</u>	<u>\$690,276</u>	<u>\$40,982,407</u>

Notes to Financial Statements (Continued)

Note 4 : Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety & Legal Services	\$ 127,531
Physical Health & Social Services	1,498
Mental Health	11,501
County Environment & Education	13,702
Roads & Transportation	1,530,614
Governmental Services to Residents	27,000
Administration	<u>9,913</u>
 Total Depreciation Expense – Governmental Activities	 <u>\$1,721,759</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	\$ 4,319
Special Revenue:		
Mental Health	Services	111,923
Secondary Roads		10,504
Gilbertson		<u>25</u>
 Total for Governmental Funds		 <u>\$ 126,771</u>
Agency:		
Agricultural Extension	Collections	\$ 192,826
Assessor		271,205
Schools		11,811,137
Community Colleges		778,951
Corporations		4,599,177
Auto License & Use Tax		439,986
All Others		<u>728,440</u>
 Total for Agency Funds		 <u>\$18,821,722</u>

Notes to Financial Statements (Continued)

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:

	Compensated Absences	General Obligation Bonds	Total
Balance Beginning of Year	\$387,268	\$685,000	\$1,072,268
Increases	9,547	0	9,547
Decreases	0	335,000	335,000
Balance End of Year	\$396,815	\$350,000	\$ 746,815
Due Within One Year	\$396,815	\$350,000	\$ 746,815

Note Payable

During the year ended June 30, 2003, the County issued \$3,300,000 of General Obligation County Law Enforcement Center Notes, Series 2002. The notes were issued to pay the cost of constructing, furnishing and equipping a new Law Enforcement Center. Interest was due semiannually on December 1 and June 1 at rates of 3.25% to 4.00% over the life of the notes.

On July 15, 2009, the County refunded the 2003 issue by issuing \$1,355,000 of General Obligation Refunding Bond Series 2009A. Interest is due semiannually on December 1 and June 1 at rates of 1.85% to 2.65% over the life of the notes. Principal payments are due annually, beginning on June 1, 2010, ending on June 1, 2013. The County saved approximately \$52,743 in interest charges over the life of the Bond.

A summary of the County's June 30, 2012 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.65%	\$350,000	\$9,275	\$359,275

During the year ended June 30, 2012, the County retired \$335,000 of general obligation bonds.

Note 7: Closure and Postclosure Care Costs

Fayette County is a member of the Fayette County Solid Waste Management Commission. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Commission is to provide for the economic disposal and or recycling of all solid waste produced or generated within each member city, town, and the unincorporated portion of Fayette County, comprising the municipalities. In performing its duties, the Commission may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

Notes to Financial Statements (Continued)

Note 7: Closure and Postclosure Care Costs (Continued)

State and Federal laws and regulations required the Commission to place a final cover on its landfill site when it stopped accepting waste during the fiscal year ended June 30, 2011, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. State laws require the Commission to submit a postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper postclosure. As of June 30, 2012, the estimated liability associated with postclosure care costs had been determined. Also based on regulations, the financial assurance mechanism has been established.

Note 8: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$432,316, \$385,699, and \$377,407, respectively, equal to the required contributions for each year.

Note 9: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 124 active and 1 retired member 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 Wellmark of Iowa. The dental benefit is administered by Delta Dental of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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.

Notes to Financial Statements (Continued)

Note 9: Other Postemployment Benefits (OPEB) (Continued)

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

Annual Required Contribution	\$111,947
Interest on Net OPEB Obligation	3,587
Adjustment to Annual Required Contribution	<u>(6,861)</u>
Annual OPEB Cost (Expense)	108,673
Contributions Made	<u>(9,774)</u>
Increase in Net OPEB Obligation	98,899
Net OPEB Obligation Beginning of Year	<u>112,823</u>
 Net OPEB obligation End of the Year	 <u><u>\$211,722</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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 \$9,774 to the medical plan. Plan members receiving benefits contributed \$19,547, or 67% 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 as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 54,644	40.70%	\$ 57,011
2011	\$ 69,327	19.49%	\$112,823
2012	\$108,673	8.99%	\$211,722

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$950,346 with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$950,346. The covered payroll (annual payroll of active employees covered by the plan) was \$4,210,860, and the ratio of the UAAL to the covered payroll was 22.57%. As of June 30, 2012, there were no trust fund assets.

Notes to Financial Statements (Continued)

Note 9: Other Postemployment Benefits (OPEB) (Continued)

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 assumption 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, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present 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 benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of the July 1, 2011 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 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, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$631 per month 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 10: Risk Management

Fayette County is a member of the Heartland Risk Pool as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability, automobile physical damage, law enforcement, public official errors and omissions, and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Notes to Financial Statements (Continued)

Note 10: Risk Management (Continued)

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.

The Pool also provides property, inland marine, boiler, public officials errors and omissions, law enforcement liability, and business income and extra expense 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 contribution to the Pool for the year ended June 30, 2012 was \$386,850.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains automobile liability, general liability, public officials liability and law enforcement legal liability. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$6,000,000 per claim. Workers' compensation claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,000,000. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Property automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

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, 2012, 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 in any of the past four fiscal years.

Members agree to continue membership in the pool for a period of not less than three full years. Subsequent to this initial term, the member may withdraw at the end of the third fiscal year of any three-year term, only after at least 60 days prior written notice. 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. Upon withdrawal, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

Notes to Financial Statements (Continued)

Note 10: Risk Management (Continued)

The County also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for employees blanket bond claims in excess of \$20,000 per employee, with the exception of the Treasurer which is in excess of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 11: Employee Health Insurance Plan

The Internal Service Employee Group Health Fund, was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administrated through a Service Agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2012 was \$1,332,257.

Note 12: 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 13: Related Party Transactions

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

Note 14: Construction Commitment

The County has entered into contracts totaling \$7,720,941 for roadway projects. As of June 30, 2012 costs of \$7,008,563 on the projects have been incurred. The balance of \$712,378 remaining on the contracts at June 30, 2012 will be paid as work on the projects progress.

Note 15: Subsequent Event

Management evaluated subsequent events through March 26, 2013, the date the financial statements were available to be issued.

FAYETTE COUNTY
West Union, 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 Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$7,657,289	\$ 0	\$ 7,657,289	\$ 7,615,380	\$ 7,630,453	\$ 26,836
Interest & Penalty on Property Tax	79,502	0	79,502	57,410	57,710	21,792
Intergovernmental	6,644,354	0	6,644,354	6,821,406	6,584,449	59,905
Licenses & Permits	37,955	0	37,955	57,250	48,050	(10,095)
Charges for Service	845,962	0	845,962	907,450	781,375	64,587
Use of Money & Property	85,097	0	85,097	53,105	56,317	28,780
Miscellaneous	578,046	0	578,046	266,906	405,783	172,263
Total Receipts	15,928,205	0	15,928,205	15,778,907	15,564,137	364,068
DISBURSEMENTS:						
Public Safety & Legal Services	2,875,815	0	2,875,815	3,036,472	3,053,172	177,357
Physical Health & Social Services	435,199	0	435,199	551,368	524,932	89,733
Mental Health	2,693,205	0	2,693,205	2,930,859	2,931,786	238,581
County Environment & Education	1,414,429	0	1,414,429	1,527,235	1,506,178	91,749
Roads & Transportation	5,066,462	0	5,066,462	5,170,900	5,080,001	13,539
Governmental Services to Residents	530,752	0	530,752	689,957	682,608	151,856
Administration	1,117,714	0	1,117,714	1,230,430	1,215,276	97,562
Non-Program	25,686	0	25,686	307,000	110,985	85,299
Debt Service	352,147	0	352,147	352,148	352,148	1
Capital Projects	720,649	0	720,649	744,820	744,820	24,171
Total Disbursements	15,232,058	0	15,232,058	16,541,189	16,201,906	969,848
Excess (Deficiency) of Receipts Under Disbursements	696,147	0	696,147	(762,282)	(637,769)	1,333,916
Other Financing Sources, Net	31,790	0	31,790	0	31,000	790
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	727,937	0	727,937	(762,282)	(606,769)	1,334,706
Balance Beginning of Year	3,481,143	6,336	3,474,807	2,512,839	3,474,800	7
Balance End of Year	\$4,209,080	\$6,336	\$ 4,202,744	\$ 1,750,557	\$ 2,868,031	\$1,334,713

See Accompanying Independent Auditor's Report

FAYETTE COUNTY
West Union, 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	\$15,928,205	\$ (63,828)	\$15,864,377
Expenditures	15,232,058	(673,112)	14,558,946
Net	696,147	609,284	1,305,431
Other Financing Sources	31,790	0	31,790
Beginning Fund Balances	3,481,143	(394,392)	3,086,751
Increase in Reserve For: Inventories	0	621,841	621,841
Ending Fund Balances	\$ 4,209,080	\$ 836,733	\$ 5,045,813

See Accompanying Independent Auditor's Report

**Fayette County
West Union, 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 10 major classes of expenditures known as functions, not by fund. These 10 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 Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$339,283. This 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 in certain departments exceeded amounts appropriated.

Fayette County

Required Supplementary Information

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

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, 2008	\$0	\$448	\$448	0%	\$5,058	8.85%
2011	July 1, 2008	\$0	\$448	\$448	0%	\$4,942	9.06%
2012	July 1, 2011	\$0	\$950	\$950	0%	\$4,211	22.57%

See Note 9 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

FAYETTE COUNTY
West Union, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue	
	Resource Enhancement & Protection	County Recorder's Records Management
ASSETS		
Cash & Pooled Investments	\$46,650	\$28,920
Receivables:		
Property Tax:		
Delinquent	0	0
Succeeding Year	0	0
Accounts	0	370
Accrued Interest	39	25
TOTAL ASSETS		
	\$46,689	\$29,315
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 0	\$ 0
Due To Other Governments	0	0
Deferred Revenue:		
Succeeding Year Property Tax	0	0
Other	0	0
	0	0
Fund Balances:		
Reserved For:		
Drainage	0	0
Debt Service	0	0
Other Purposes	46,689	29,315
	46,689	29,315
TOTAL LIABILITIES AND FUND BALANCES		
	\$46,689	\$29,315

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue

County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Debt Service	Total
\$674	\$3,074	\$9,763	\$6,336	\$110,102	\$ 19,571	\$225,090
0	0	0	0	0	809	809
0	0	0	0	0	287,097	287,097
0	0	185	0	0	0	555
0	1	2	0	25	0	92
\$674	\$3,075	\$9,950	\$6,336	\$110,127	\$307,477	\$513,643
\$ 0	\$ 30	\$ 0	\$ 0	\$ 1,970	\$ 0	\$ 2,000
0	0	0	0	25	0	25
0	0	0	0	0	287,097	287,097
0	0	0	0	0	809	809
0	30	0	0	1,995	287,906	289,931
0	0	0	6,336	0	0	6,336
0	0	0	0	0	19,571	19,571
674	3,045	9,950	0	108,132	0	197,805
674	3,045	9,950	6,336	108,132	19,571	223,712
\$674	\$3,075	\$9,950	\$6,336	\$110,127	\$307,477	\$513,643

FAYETTE COUNTY
West Union, Iowa

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

	Special Revenue	
	Resource Enhancement & Protection	County's Recorder's Records Management
REVENUES:		
Property & Other County Tax	\$ 0	\$ 0
Intergovernmental	13,462	0
Charges for Service	0	3,970
Use of Money & Property	524	326
Miscellaneous	0	0
Total Revenues	13,986	4,296
EXPENDITURES:		
Operating:		
Public Safety & Legal Services	0	0
County Environment & Education	0	0
Governmental Services to Residents	0	2,251
Debt Service	0	0
Capital Projects	54,528	0
Total Expenditures	54,528	2,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,542)	2,045
Fund Balances Beginning of Year	87,231	27,270
Fund Balances End of Year	\$46,689	\$29,315

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue						
County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Debt Service	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$296,097	\$296,097
0	0	0	0	43,604	13,511	70,577
0	0	0	0	15,833	0	19,803
0	11	25	0	267	0	1,153
0	371	1,189	0	3,706	0	5,266
0	382	1,214	0	63,410	309,608	392,896
0	1,626	0	0	0	0	1,626
0	0	0	0	29,763	0	29,763
0	0	0	0	0	0	2,251
0	0	0	0	0	300,000	300,000
0	0	0	0	22,028	0	76,556
0	1,626	0	0	51,791	300,000	410,196
0	(1,244)	1,214	0	11,619	9,608	(17,300)
674	4,289	8,736	6,336	96,513	9,963	241,012
\$674	\$3,045	\$9,950	\$6,336	\$108,132	\$ 19,571	\$223,712

FAYETTE COUNTY
West Union, Iowa

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$ 3,674	\$ 91,491	\$ 235,902
Other County Officials	355,959	0	0	0
Receivables:				
Property Tax:				
Succeeding Year	0	189,152	215,190	11,575,235
Accounts	227	0	0	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$356,186	\$192,826	\$306,681	\$11,811,137
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 16,306	\$ 0
Salaries & Benefits Payable	0	0	5,328	0
Due To Other Governments	333	192,826	271,205	11,811,137
Trusts Payable	355,853	0	0	0
Compensated Absences	0	0	13,842	0
TOTAL LIABILITIES	\$356,186	\$192,826	\$306,681	\$11,811,137

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$ 16,230 0	\$ 111,115 0	\$ 4,887 0	\$10,518 0	\$439,986 0	\$198,633 0	\$ 1,112,436 355,959
762,721 0 0 0	4,488,062 0 0 0	326,324 0 0 0	0 0 0 0	0 0 0 0	179,370 32,102 114 6,498	17,736,054 32,329 114 6,498
<u>\$778,951</u>	<u>\$4,599,177</u>	<u>\$331,211</u>	<u>\$10,518</u>	<u>\$439,986</u>	<u>\$416,717</u>	<u>\$19,243,390</u>
\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$ 3,274 1,188	\$ 19,580 6,516
778,951 0 0	4,599,177 0 0	331,211 0 0	10,518 0 0	439,986 0 0	386,378 23,259 2,618	18,821,722 379,112 16,460
<u>\$778,951</u>	<u>\$4,599,177</u>	<u>\$331,211</u>	<u>\$10,518</u>	<u>\$439,986</u>	<u>\$416,717</u>	<u>\$19,243,390</u>

FAYETTE COUNTY
West Union, 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
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$357,116	\$188,609	\$292,717	\$11,879,358
Additions:				
Property & Other County Tax	0	196,754	223,935	12,046,919
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,831	10,161	562,897
Drivers License Fees	0	0	0	0
Office Fees & Collections	511,750	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	264,859	0	0	0
Miscellaneous	0	0	355	0
Total Additions	776,609	205,585	234,451	12,609,816
Deductions:				
Agency Remittances:				
To Other Funds	270,515	0	0	0
To Other Governments	226,661	201,368	220,487	12,678,037
Trusts Paid Out	280,363	0	0	0
Total Deductions	777,539	201,368	220,487	12,678,037
Balances End of Year	\$356,186	\$192,826	\$306,681	\$11,811,137

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$832,781	\$4,514,867	\$309,901	\$ 28,765	\$ 471,686	\$489,185	\$19,364,985
796,224	4,667,017	339,145	0	0	187,162	18,457,156
0	0	0	0	0	104,295	104,295
38,990	219,262	13,668	685	0	9,058	863,552
0	0	0	0	51,041	0	51,041
0	0	0	0	0	0	511,750
0	0	0	0	0	3,978	3,978
0	0	0	0	5,894,117	0	5,894,117
0	0	0	176,506	0	0	176,506
0	0	0	0	0	328,446	593,305
0	0	0	0	0	123,616	123,971
835,214	4,886,279	352,813	177,191	5,945,158	756,555	26,779,671
0	0	0	0	207,866	0	478,381
889,044	4,801,969	331,503	195,438	5,768,992	502,947	25,816,446
0	0	0	0	0	326,076	606,439
889,044	4,801,969	331,503	195,438	5,976,858	829,023	26,901,266
\$778,951	\$4,599,177	\$331,211	\$ 10,518	\$ 439,986	\$416,717	\$19,243,390

FAYETTE COUNTY
West Union, 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
Revenues:				
Property & Other County Tax	\$ 7,638,053	\$ 7,449,665	\$ 7,087,274	\$ 6,786,120
Interest & Penalty on Property Tax	79,181	77,020	79,109	61,403
Intergovernmental	6,611,574	7,044,867	7,136,294	7,228,246
Licenses & Permits	38,130	21,130	20,055	21,738
Charges For Service	836,287	953,530	946,047	1,100,754
Use of Money & Property	79,529	58,389	106,718	119,110
Miscellaneous	581,623	526,382	167,079	643,271
Total	\$15,864,377	\$16,130,983	\$15,542,576	\$15,960,642
Expenditures:				
Operating:				
Public Safety & Legal Services	\$ 2,869,061	\$ 2,912,807	\$ 2,846,569	\$ 2,671,416
Physical Health & Social Services	418,573	452,439	463,331	465,766
Mental Health	2,472,476	2,387,124	2,808,937	2,625,384
County Environment & Education	1,421,442	1,360,708	1,312,631	1,522,890
Roads & Transportation	4,480,177	6,122,943	5,057,674	5,522,067
Governmental Services to Residents	535,869	496,688	551,755	526,686
Administration	1,121,594	915,361	1,004,399	1,111,843
Non-Program	20,893	90,584	18,975	5,164
Debt Service	352,147	353,253	1,710,900	359,505
Capital Projects	866,714	884,002	725,793	1,060,787
Total	\$14,558,946	\$15,975,909	\$16,500,964	\$15,871,508

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
\$ 6,547,515	\$ 6,791,909	\$ 6,114,765	\$ 5,838,552	\$ 5,493,685	\$ 5,107,226
61,756	58,178	56,928	54,595	67,632	53,612
6,381,634	5,704,492	6,210,061	6,440,864	5,442,011	5,664,850
12,138	12,960	13,465	11,020	10,878	13,715
890,214	1,010,667	770,110	721,585	884,792	530,343
113,567	112,720	85,904	44,624	36,395	67,301
293,339	698,791	625,162	380,778	318,134	386,408
<u>\$14,300,163</u>	<u>\$14,389,717</u>	<u>\$13,876,395</u>	<u>\$13,492,018</u>	<u>\$12,253,527</u>	<u>\$11,823,455</u>
\$ 2,614,895	\$ 2,534,123	\$ 2,521,531	\$ 2,383,632	\$ 2,276,495	\$ 2,171,440
441,607	465,590	500,427	492,420	490,076	490,642
3,008,942	2,601,046	2,084,214	2,119,523	1,998,575	1,736,300
1,178,754	1,184,908	1,193,039	1,163,043	1,208,766	1,354,060
4,945,001	4,264,820	4,757,452	4,715,512	3,867,734	3,948,329
481,348	447,741	423,279	466,890	433,422	419,276
1,062,389	1,050,785	1,007,943	902,783	874,104	1,108,297
5,740	5,112	5,344	5,774	5,881	8,324
355,425	350,760	350,705	350,199	349,305	348,024
993,184	579,272	1,664,080	947,247	531,894	2,522,122
<u>\$15,087,285</u>	<u>\$13,484,157</u>	<u>\$14,508,014</u>	<u>\$13,547,023</u>	<u>\$12,036,252</u>	<u>\$14,106,814</u>

FAYETTE COUNTY
West Union, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 17,635
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-12-80A	10,645
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C033(91)-8J-33	
		BROS-C033(92)-8J-33	14,236
Highway Planning and Construction	20.205	BROS-C033(98)-8J-33	119,645
Highway Planning and Construction	20.205	BROS-C033(111)-8J-33	116,318
			<u>250,199</u>
National Highway Traffic Safety Administration:			
Department of Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP 11-04, Task 14	1,818
Alcohol Services	20.600	PAP 12-02, Task 06	15,505
			<u>17,323</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance	93.566		32
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,918
Foster Care – Title IV-E	93.658		6,435
Adoption Assistance	93.659		1,874
Children's Health Insurance Program	93.767		61
Medical Assistance Program	93.778		16,556
Social Services Block Grant	93.667		5,641
			<u>100,384</u>
			<u>106,025</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security & Emergency Management Division:			
Hazard Mitigation Grant	97.039	DR-1763-0049-01	66,517
Emergency Management Performance Grant	97.042	EMPG-11-PT-33	27,029
			<u>\$524,249</u>
Total Indirect			<u>\$524,249</u>
Total			<u><u>\$524,249</u></u>

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

See Accompanying Independent Auditor's Report.



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***

To the Officials of Fayette County:
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette 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 26, 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 Fayette County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fayette 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 our opinion on the effectiveness of Fayette County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fayette 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-B-12 and II-C-12 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 Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Fayette County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Fayette 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 Fayette County and other parties to whom Fayette 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 Fayette 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 26, 2013

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Officials of Fayette County:
West Union, Iowa

Compliance

We have audited Fayette County's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Fayette County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fayette County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fayette County's compliance with those requirements.

In our opinion, Fayette County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Fayette County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fayette County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fayette County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

March 26, 2013

Gardiner Thomsen, P.C.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 93.667 – Social Services Block Grant.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Fayette County did not qualify as a low risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

Part II: Findings Related to the Financial Statements (Continued)

II-B-12 Financial Reporting

Finding – During our audit, we identified material amounts of accounts payable and capital assets not recorded or incorrectly recorded in the County’s financial statement.

Criteria – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

Condition – Disbursements in July and August following year end were not always coded as a disbursements for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

Effect – The accounts payable listing was understated. The capital asset listing was not correct.

Cause – Limited staff.

Recommendation – The County should implement procedures to ensure all payables, capital assets, infrastructure and related depreciation 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.

II-C-12 Preparation of Full Disclosure Financial Statements

Finding – During the audit, we noted that Fayette 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.

Fayette County
West Union, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements (Continued)

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-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-12 CERTIFIED BUDGET – Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2012.

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

Response – We will watch department appropriations more closely and will award additional appropriations when necessary.

Conclusion – Response accepted.

Fayette County
West Union, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

IV-B-12 QUESTIONABLE EXPENDITURES – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

IV-C-12 TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 BUSINESS TRANSACTIONS – 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>
Madonna Baumler, Treasurer’s Office Baumler Implement Company, Inc. Partially Owned by Madonna’s Spouse	Parts & Repairs for Secondary Road Vehicles	\$36,690
Rod Marlatt, Conservation Executive Director Fauser Energy Resources Owned by Rod’s Brother In Law	Diesel Fuel, Propane, Oil	478,838
Marty Stanbrough and Gary Streif, Secondary Roads Owners of Dust Busters	Dust Control	4,267

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Fauser Energy Resources do not appear to represent conflicts of interest as the goods & services purchased from Fauser Energy Resources were obtained through contracts that were competitively bid, in writing, publicly invited and opened.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Baumler Implement Company, Inc., and Dust Busters do not appear to represent conflicts of interest as neither Madonna Baumler, nor Marty Stanbrough or Gary Streif were directly involved in acquiring the services from Baumler Implement Company, Inc. and Dust Busters.

**Fayette County
West Union, Iowa**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

IV-E-12 BOND COVERAGE – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-12 BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on June 25, 2012 to discuss matters relating to the County. The minutes record does not document the final action taken in open session.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – This was an oversight. We will document the final action taken in open session for all future closed sessions.

Conclusion – Response accepted.

IV-G-12 DEPOSITS AND INVESTMENTS – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-12 RESOURCE ENHANCEMENT AND PROTECTION CERTIFICATION – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-12 ECONOMIC DEVELOPMENT – During the year ended June 30, 2012, the County paid \$56,000 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

IV-J-12 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.