

**LYON COUNTY**

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

**JUNE 30, 2012**

*De Noble & Company PC  
Certified Public Accountants  
Rock Rapids, Iowa*



## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		3-4
Management's Discussion and Analysis		5-18
Basic Financial Statements:	<u>Exhibit</u>	19
Government-Wide Financial Statements:		
Statement of Net Assets	A	20-21
Statement of Activities	B	23
Governmental Fund Financial Statements:		
Balance Sheet	C	24-25
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	27
Statement of Revenues, Expenditures and Changes in Fund Balances	E	28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	30
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	31
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	32
Statement of Cash Flows	I	33
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	34
Notes to Financial Statements		35-55
Required Supplementary Information:		57
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		58
Budget to GAAP Reconciliation		59
Notes to Required Supplementary Information – Budgetary Reporting		60
Schedule of Funding Progress for the Retiree Health Plan		61
Other Supplementary Information:	<u>Schedule</u>	63
Nonmajor Governmental (Special Revenue) Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	70-71
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	72-73
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 <i>Government Auditing Standards</i>		77-78
Schedule of Findings		79-92
Staff		93



# LYON COUNTY

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
Merle Koedam	Board of Supervisors	December 31, 2012
Mike Modder	Board of Supervisors	December 31, 2012
Randy Bosch	Board of Supervisors	December 31, 2014
Steve Michael	Board of Supervisors	December 31, 2014
Kirk Peters	Board of Supervisors	December 31, 2014
Blythe Bloemendaal	County Sheriff	December 31, 2012
Wayne Grooters	County Auditor	December 31, 2012
Richard Heidloff	County Treasurer	December 31, 2014
Eldon Kruse	County Recorder	December 31, 2014
Carl Petersen	County Attorney	December 31, 2014
Fred Christians	County Assessor	December 31, 2015
Sheryl Boeve	County Health Services Administrator	Indefinite
Lisa Rockhill	County Central Point Coordinator	Indefinite
Steve Simons	County Economic Development Director	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	May 29, 2012



# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

## **Independent Auditor's Report**

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, 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. These financial statements are the responsibility of Lyon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Lyon County at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of Lyon 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 18 and 57 through 61 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 U.S.

generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven fiscal years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that was formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two fiscal years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De Noble & Company PC*

De Noble & Company PC  
Certified Public Accountants

June 24, 2013

---

---

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

---

---

Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues for fiscal year 2012 were \$13,208,517 compared to \$13,261,896 in fiscal year 2011, a decrease of \$(53,379), or (0.40%). Property and other county tax for fiscal year 2012 were \$5,576,265 compared to \$4,876,829 in fiscal year 2011, an increase of \$699,436, or 14.34%. Local option sales tax for fiscal year 2012 was \$716,701 compared to \$506,400 in fiscal year 2011, an increase of \$210,301, or 41.53%. Intergovernmental revenues for fiscal year 2012 were \$5,291,886 compared to \$6,338,486 in fiscal year 2011, a decrease of \$(1,046,600), or (16.51%) All other revenues increased during fiscal year 2012 by \$83,484.
- The County's governmental fund expenditures for fiscal year 2012 were \$13,506,671 compared to \$13,349,440 in fiscal year 2011, an increase of \$157,231 or 1.18%. Expenditure function classifications with the largest increases were county environment and education (\$57,976 or 8.17%), administration (\$100,184 or 10.14%), and capital projects (\$295,270 or 25.38%). The roads and transportation function had the largest decrease - \$(267,259) or (5.31%). All other expenditure functions decreased in total during fiscal year 2012 by \$(28,940).
- The County's government-wide net assets for governmental activities for fiscal year 2012 were \$34,661,182 compared to \$30,529,274 in fiscal year 2011, an increase of \$4,131,908, or 13.53%.
- Revenues of the County's governmental activities increased by \$1,914,657, or 13.13%. The increase was due mainly to an increase in roads and transportation capital grants (\$1,235,795 or 61.81%) and general purpose property and County taxes (\$705,233 or 15.19%).
- Expenses of the County's governmental activities decreased by \$(853,315) or (6.45%). The largest decrease was in the capital projects function \$(859,614) or (82.48%).

### **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 Lyon 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 Lyon 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 Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

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

### *Government-Wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

*Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County’s basic services. These focus on how money flows into and out of these 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, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs.

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

- 2) Proprietary funds account for the County’s Internal Service Fund, Employee Group Health 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 E911, Emergency Management Services, County Assessor, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, 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. Lyon County’s combined net assets increased \$4,131,908 or 13.53% during this fiscal year. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

<b>Net Assets of Governmental Activities</b>		
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Current and Other Assets	\$ 14,605,032	\$ 14,515,126
Capital Assets	28,061,879	23,844,584
Total Assets	42,666,911	38,359,710

Other Liabilities	6,588,607	6,202,321
Long-Term Liabilities	1,417,122	1,628,115
Total Liabilities	<u>8,005,729</u>	<u>7,830,436</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	26,930,057	22,500,940
Restricted	4,485,004	5,280,272
Unrestricted	3,246,121	2,748,062
Total Net Assets	<u>\$ 34,661,182</u>	<u>\$ 30,529,274</u>

The increase in current and other assets was due mainly to increases for succeeding year property tax and tax increment financing receivables. Other liabilities increased as a result of a large increase in deferred revenues for succeeding year property tax and tax increment financing receivables. Long-term liabilities decreased due to payments made on existing long-term debt (primarily general obligation bonds).

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$498,059, or 18.12%, during this fiscal year.

#### Changes in Net Assets of Governmental Activities

	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,938,584	\$ 1,704,266
Operating Grants, Contributions and Restricted Interest	4,193,194	4,975,540
Capital Grants, Contributions and Restricted Interest	3,400,115	1,999,379
General Revenues:		
Property Tax Levied for:		
General Purposes	5,348,963	4,643,730
Debt Service	227,276	233,100
Tax Incremental Financing	80,478	34,573
Penalty and Interest on Property Tax	21,527	24,065
State Tax Credits	209,549	212,301
Local Option Sales Tax	716,700	506,401
Grants and Contributions not Restricted to Specific Purposes	80,660	11,982
Unrestricted Investment Earnings	104,307	131,207
Rents	47,148	37,454
Gain on Disposal of Capital Assets	107,184	14,393
Other General Revenues	25,575	58,212
Total Revenues	<u>16,501,260</u>	<u>14,586,603</u>

Program Expenses:

Public Safety and Legal Services	2,831,569	2,756,962
Physical Health and Social Services	784,661	784,264
Mental Health	1,056,122	1,105,677
County Environment and Education	824,981	757,937
Roads and Transportation	5,058,550	5,301,841
Governmental Services to Residents	482,930	415,803
Administration	1,036,241	916,930
Non-Program Current	80,478	105,742
Interest on Long-Term Debt	31,178	35,255
Capital Projects	182,642	1,042,256
Total Expenses	<u>12,369,352</u>	<u>13,222,667</u>
Increase in Net Assets	4,131,908	1,363,936
Net Assets Beginning of Year	<u>30,529,274</u>	<u>29,165,338</u>
Net Assets End of Year	<u>\$ 34,661,182</u>	<u>\$ 30,529,274</u>

Lyon County decreased the countywide property tax rate by 0.25062 per \$1,000 of valuation and kept the rural property tax rate the same. Taxable valuation by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	<b>Taxes Levied</b>	<b>Taxes Levied</b>
	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2011</b>
Countywide Taxable Valuation	\$ 614,060,919	\$ 588,931,440
Countywide Levy Rate Without Debt Service	5.09903	5.31603
Dollars Levied Without Debt	\$ 3,131,115	\$ 3,130,777
Countywide Taxable Valuation for Debt Service	\$ 632,781,735	\$ 606,553,674
Countywide Debt Service Levy	.36943	0.39592
Dollars Levied for Debt Service	\$ 233,769	\$ 240,147
Total Countywide Levy Rate	5.46846	5.71195
Total Dollars Levied Countywide	\$ 3,364,884	\$ 3,370,924
Rural Taxable Valuation	\$ 453,312,849	\$ 431,053,746
Rural Service Tax Levy	3.75198	3.75198
Dollars Levied for Rural Area Only	\$ 1,700,821	\$ 1,617,305
Total Dollars Levied	\$ 5,065,705	\$ 4,988,229

\*Note taxable valuation is value without Gas & Electric Utilities

<b>Taxable Valuation History</b>				
<b>Fiscal Year</b>	<b>Based on January 1<sup>st</sup> Values</b>	<b>Countywide Valuation</b>	<b>Debt Service Valuation</b>	<b>Rural Service Valuation</b>
FY 2011/2012	January 1, 2010	614,060,919	632,781,735	453,312,849
FY 2010/2011	January 1, 2009	588,931,440	606,553,674	431,053,746
FY 2009/2010	January 1, 2008	533,205,168	546,288,981	394,351,034
FY 2008/2009	January 1, 2007	504,398,243	515,882,898	371,879,575
FY 2007/2008	January 1, 2006	499,802,094	509,735,486	367,391,981
FY 2006/2007	January 1, 2005	492,338,833	501,828,733	359,466,942
FY 2005/2006	January 1, 2004	447,077,945	454,922,084	324,204,340
FY 2004/2005	January 1, 2003	442,415,580	450,267,510	321,739,429
FY 2003/2004	January 1, 2002	509,898,393	516,207,605	383,207,434
FY 2002/2003	January 1, 2001	501,029,153	505,341,538	376,294,755
FY 2001/2002	January 1, 2000	499,872,106	503,854,868	377,630,000

- Lyon County's fiscal year 2012 countywide taxable valuation (without utilities) increased \$25,129,479 or 4.27% from fiscal year 2011; the debt service taxable valuation increased \$26,228,061 or 4.32% from fiscal year 2011; and the rural service valuation increased \$22,259,103 or 5.16% from fiscal year 2011.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on fair market value and agricultural property is based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2004/2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. The data is updated every odd-numbered year using the past 5 years of data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property". Since the decrease in fiscal year 2004/2005, the County's taxable valuation has increased each fiscal year.
- Lyon County farmland sales prices continue to rise. Land has been selling anywhere from \$8,000 an acre to \$10,700 plus an acre; with an average sale at approximately \$8,600 an acre. This contributed to the increase in the rural service valuation.
- The amount of the costs financed by users (charges for services) increased by \$234,318, or 13.75%. The main increase in this type of revenue was generated by the mental health and roads and transportation functions.
- Operating grants, contributions and restricted interest decreased by \$(782,346), or (15.72%). The main decrease for this type of revenue was in the roads and transportation function, but there were also larger decreases in the public safety and legal services and physical health and social services functions.
- Capital grants, contributions and restricted interest increased by \$1,400,736, or 70.06%. The county environment and education function decreased by \$884,452. The public safety and legal

services function increased by \$26,286 and the roads and transportation function increased by \$2,258,902.

- Property and other county tax revenues increased by \$699,409, or 14.34% due primarily to new tax revenues: hotel/motel tax, pari-mutuel wagering tax and casino gambling tax. All other general revenues increased by \$362,540, or 35.18%.
- Expenses of the County's governmental activities decreased by \$(853,315), or (6.45%). The largest decreases were roads and transportation - \$(243,291) and capital projects - \$(859,614). The administration function had the largest increase of \$119,311.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2012, its Governmental Funds reported a combined fund balance of \$5,941,368. This is in comparison to last fiscal year when the combined fund balance was \$6,228,892. This is a decrease of \$(287,524) from last year, or (4.62%). The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

- **GENERAL BASIC FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Basic Fund ending fund balance was \$1,725,528. This is in comparison to last fiscal year when the fund balance was \$1,157,408. This is an increase of \$568,120 from last year, or 49.09%. For fiscal year 2012, expenditures totaled \$4,130,963 (fiscal year 2011 = \$4,992,936), a decrease of \$(861,977) or (17.26%); operating transfers out totaled \$169,926 (fiscal year 2011 = \$65,000) an increase of \$104,926 or 161.42%; and revenues totaled \$4,868,309 (fiscal year 2011 = \$4,911,016), a decrease of \$(42,707), or (0.87%); The levy for fiscal year 2012 was 3.50000 (fiscal year 2011 = 3.50000); the maximum amount allowed by law is 3.50000.
  - Current property and other tax revenues significantly increased partly due to an increase in valuations but mainly due to the receipt of the new casino taxes and hotel/motel tax.
  - Intergovernmental revenues significantly decreased due to a prior year CDBG flowthrough grant and State of Iowa funding for a Highway 9 road project.
  - Miscellaneous revenues dropped due to a prior year donation from a business toward the Highway 9 road project.
  - The capital project function significantly decreased due to the prior year's Highway 9 roadway widening and turning lanes project.
  - General Basic transferred \$104,926 to the Secondary Roads Fund in fiscal year 2012 - maximum allowed by Iowa Code Section 331.429(1)(a).
- **GENERAL SUPPLEMENTAL FUND:** The General Supplemental Fund is used when the basic levy is not sufficient to meet the county's needs. Expenditures the board may certify for this fund are listed in Iowa Code Section 331.424. For fiscal year 2012, Lyon County used the General

Supplemental Fund for the cost of health, property and liability insurance coverage. The General Supplemental Fund ending fund balance was \$340,838. This is in comparison to last fiscal year when the fund balance was \$395,379. This is a decrease of \$(54,541) from last year, or (13.80%) For fiscal year 2012, expenditures totaled \$803,717 (fiscal year 2011 = \$763,856), an increase of \$39,861, or 5.22%, and revenues totaled \$749,176 (fiscal year 2011 = \$836,113), a decrease of \$(86,937), or (10.40%). The levy for fiscal year 2012 was 1.20000 (year 2011 = 1.40000).

- Current property tax revenues decreased due to a decrease in the levy.
  - Expenditures increased due to the rising cost of health insurance, property insurance and liability insurance, which are being paid out of the General Supplemental Fund.
- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$179,844. This is in comparison to last fiscal year when the fund balance was \$119,454. This is an increase of \$60,390 from last year, or 50.56%. For fiscal year 2012, expenditures totaled \$1,054,644 (fiscal year 2011 = \$1,108,429), a decrease of \$(53,785), or (4.86%), and revenues totaled \$1,115,034 (fiscal year 2011 = \$1,075,795), an increase of \$39,239, or 3.65%. The levy for fiscal year 2012 was 0.39190 (fiscal year 2011 = 0.41603).
    - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continued in fiscal year 2012 with Osceola County currently paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
    - Mental health costs continue to remain constant as the county continues to look for ways to effectively manage the cost of mental health services.
    - SF2315, the Mental Health and Disability Services (MH/DS) Redesign bill has been signed by the Iowa Governor. Future changes are uncertain as to how this bill will affect the Mental Health Fund.
- **RURAL SERVICES FUND:** The Rural Service 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, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$1,089,381. This is in comparison to last fiscal year when the fund balance was \$803,818. This is an increase of \$285,563 from last year or 35.53%. For fiscal year 2012, expenditures totaled \$935,037 (fiscal year 2011 = \$879,599), an increase over last year of \$55,438, or 6.31%; operating transfers out totaled \$1,443,002 (fiscal year 2011 = \$1,375,565), an increase of 67,437 or 4.90%; and revenues totaled \$2,663,602 (fiscal year 2011 = \$2,362,076), an increase over last year of \$301,526 or 11.32%. The levy for fiscal year 2012 was 3.75198 (fiscal year 2011 = 3.75198). The maximum allowed by law is 3.95000.
    - Beside tax dollars collected, local option sales tax is the other major revenue source that is deposited in this fund to reduce property taxes. Major expenditures in this fund are law enforcement patrol, libraries support, zoning and environmental/sanitarian.
    - Current property tax revenues increased due to an increase in valuations.
    - Local option sales tax revenue increased by \$210,301, or 41.53%.
    - The public safety and legal services expenditures function increased by \$49,344, or 6.55%.

- Rural Service transferred \$1,378,002 to the Secondary Roads Fund in fiscal year 2012 (maximum allowed by Iowa Code Section 331.429(1)(b) and \$1,310,565 in fiscal year 2011.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Secondary Roads ending fund balance was \$2,454,340. This is in comparison to last fiscal year when the fund balance was \$3,481,136. This is a decrease of \$(1,026,796) from last year, or (29.50%). For fiscal year 2012, expenditures totaled \$5,862,799 (fiscal year 2011 = \$5,080,060), an increase from last year of \$782,739, or 15.41%; revenues totaled \$3,343,145 (fiscal year 2011 = \$3,668,711), a decrease of \$(325,566), or (8.88%); transfers received totaled \$1,482,928 (fiscal year 2011 = \$1,310,565), an increase of \$172,363, or 13.16%; and sale of capital assets totaled \$9,930 (fiscal year 2011 = \$3,878), an increase of \$6,052, or 156.06%.
  - Revenues decreased due to the receipt of FEMA and I-JOBS funding (intergovernmental proceeds) in the prior fiscal year.
  - Secondary Road Fund sent a check to the Iowa Department of Transportation in the amount of \$1,276,580 (reported in the capital projects function) for deposit in Lyon County's Farm-to-Market account. This allowed the county to bid out four road projects in April of 2012 for a total project cost of approximately \$4,000,000.
- **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the Law Enforcement Center general obligation bond. The Debt Service Fund ending fund balance was \$11,277. This is in comparison to last fiscal year when the fund balance was \$15,332. This is a \$(4,055) decrease from last year, or (26.45%). For fiscal year 2012, expenditures totaled \$241,523 (fiscal year 2011 = \$242,866), a decrease from last year of \$(1,343), and revenues totaled \$237,468 (fiscal year 2011 = \$244,132), a decrease from last year of \$(6,664). Activity for fiscal year 2012 was as follows: tax collection and credits of \$236,934, interest income of \$534, principal payment of \$210,000, interest payments of \$31,023, and bond administration fees of \$500.
- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include REAP, County Recorder's Records Management, Sheriff's Asset Forfeiture, County Tax Increment Financing, CS Projects & Land Acquisition Trust, Well Closing Trust, Economic Development, County Attorney Incentive, and Revolving Loans – Development Projects are classified as non-major Special Revenue Funds.

## Budgetary Highlights

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of fiscal year 2012, Lyon County amended its budget four times.

The first amendment was adopted August 22, 2011 and resulted in an increase in budgeted receipts of \$140,000 and disbursements of \$153,575. The main reason for this amendment was to budget for \$140,000 in final costs of the turning lane project.

The second amendment was adopted January 23, 2012 and resulted in an increase in budgeted receipts of \$772,583 and disbursements of \$280,533. Reasons for an increase in receipts included \$590,000 for casino taxes/fees and \$52,400 for a mitigation plan grant. Reasons for an increase in disbursements included construction costs for permanent camping sites at Lake Pahoja – \$31,000; drug dog for Sheriff’s Office – \$17,100; electric cot for Ambulance – \$13,900; autopsies – \$10,000; juvenile detainment – \$17,750; additional costs for Highway 9 turning lane – \$30,000; mitigation plan – \$52,700; and new election equipment – \$100,000.

The third amendment was adopted March 5, 2012 and resulted in an increase in budgeted disbursements of \$1,526,603 (no increase in receipts). Secondary Road costs increased for rebuilding bridges, slurry leveling, gravel contracts, and road right of way for the Doon shop – \$747,003; and the road construction budget was increased by \$779,600 in order to issue a check to the Department of Transportation.

The fourth amendment was adopted May 21, 2012 and resulted in an increase in budgeted receipts of \$66,856 and disbursements of \$84,556. Receipt increases were mainly \$39,308 for intergovernmental proceeds and \$24,548 for miscellaneous receipts. Disbursement increases were mainly for election costs – \$11,400; ambulance purchased an automatic CPR Device – \$15,500; and additional mental health costs – \$48,532.

Lyon County budgets on a cash accounting basis. In fiscal year 2012, Lyon County budgeted (after final amendments) \$12,905,547 for receipts, \$14,837,149 for disbursements, and budgeted an ending cash balance of \$3,052,891. Lyon County actually finished the year with receipts of \$13,934,473, disbursements of \$13,970,943 and an ending cash balance of \$4,956,583.

**Capital Assets and Debt Administration**

**Capital Assets**

Lyon County concluded fiscal year 2012 with \$38,989,139 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

<b>Capital Assets of Governmental Activities at Year End</b>		
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Land	\$ 1,717,119	\$ 1,717,119
Buildings & Improvements	7,350,934	7,063,003
Machinery, Equipment & Vehicles	9,986,006	9,685,261
Infrastructure	18,341,017	14,612,812
Construction in Progress	1,594,063	759,962
<b>Total</b>	<b>\$ 38,989,139</b>	<b>\$ 33,838,157</b>

This year's major asset additions included:

**Ambulance:**

Stryker Power Cot - \$14,169 and Auto-Pulse Machine - \$15,430

**Conservation:**

2011 Silverado ShortBox Pickup - \$29,590

Permanent Camp Sites @ Lake Pahoja - \$30,916

JD1435 Mower - \$16,399

**Courthouse:**

Courthouse Roof - \$99,930

**Secondary Roads:**

2012 International Truck - \$46,665

InfraRed Heating System Rock Rapids Shop - \$21,824

Truck Mount Sign Shop on Wheels - \$50,044

Box Culvert Dale Township - \$38,499

Box Culvert Grant Township - \$45,487

2012 140M2 CATGrader - \$290,720

2012 Ford F150 Pickup - \$20,350

Mobile Column 64,000 lb. Hoist at Rock Rapids - \$28,500

Road Projects - \$3,644,219

2012 Ford F550 Truck - \$44,291

2013 WesternStar Dump Truck #11 - \$110,180

2012 Service Truck Box - \$33,093

Dump Box on Truck #11 - \$35,668

Wing on Truck #11 - \$16,880

Doon Shop - \$135,261

**Sheriff:**

2011 Ford Crown Victoria Car - \$24,788

Dell Server - \$15,453

K-9 Police Dog - \$12,000

2004 Ford Explorer - \$14,275

2005 Chevy Express Van - \$11,500

2012 Chevy Impala - \$28,660

The County had depreciation expense of \$1,246,464 in fiscal year 2012 and total accumulated depreciation of \$10,927,260 as of June 30, 2012.

### **Long-Term Debt**

Lyon County issued \$1,540,000 in General Obligation Refunding Bonds, Series 2010A dated March 15, 2010 with the interest rate at 2% - 2.95%. The first principal payment was June 1, 2011. Final principal payment will be due June 1, 2017. The paying agent is Bankers Trust of Des Moines. On June 30, 2012, Lyon County's outstanding debt for general obligation bonds was \$1,130,000; compared to \$1,340,000 on June 30, 2011.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for \$18,220.

The promissory note provides for annual principal payments on October 15 in the amount of \$1,822. On June 30, 2012, the remaining balance was \$1,822; compared to \$3,644 on June 30, 2011.

**Outstanding Long-Term Debt of Governmental Activities at Year-End**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Land Loan Payable	\$ 1,822	\$ 3,644
Net OPEB Liability	26,295	18,243
Compensated Absences	259,005	266,228
General Obligation Bonds	1,130,000	1,340,000
Total	\$ 1,417,122	\$ 1,628,115

Standard & Poor’s gives Lyon County a credit rating of “A/Developing”. “A” summarized is a strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances. “Developing” means a rating may be raised or lowered. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits. (This figure is 100% valuation less military exemptions). Lyon County’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$50 million. Additional information about the County’s long-term debt is presented in Notes 7 and 10 to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates (Fiscal Year 2013)**

Lyon County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County in December 2012 was at 2.6% (December 2011 was at 3.00%). This compared with the State’s December 2012 unemployment rate of 5% (December 2011 was at 5.60%) and the national rate of 7.6% (December 2011 was at 8.50%).

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State’s December 2012 CPI rate was 219.033 (December 2011 = 215.173). The national December 2012 CPI rate was 229.601 (December 2011 = 225.672). The State’s December 2012 CPI rate was 10.568 lower than the National CPI rate (December 2011 = 10.499).

These indicators affect the adopted budget for fiscal year 2013. Total disbursements and transfers in the fiscal year 2013 operating budget is \$14,901,472, compared to \$14,404,810 in the original budget for fiscal year 2012; an increase of \$496,662 or 3.45%. Utility replacement and property tax dollars in the 2013 budget is \$5,580,107, compared to \$5,128,393 in 2012; an increase of \$451,714, or 8.81%. Countywide valuations (with utilities) for fiscal year 2013 are \$677,100,234 compared to \$621,786,473 in fiscal year 2012, an increase of \$55,313,761 or 8.9%. Rural valuations (with utilities) for fiscal year 2013 are \$508,616,764 compared to \$458,760,581 in fiscal year 2012, an increase of \$49,856,183 or 10.87%.

Budgeted disbursements for fiscal year 2013 increased \$496,662. The increases are as follows:

Function 1: Public Safety – \$169,574

Law Enforcement - \$255,593; Legal Services - \$27,347

Emergency Services – (\$113,466) decrease

Function 3: Physical Health – \$26,786

Health Services & Homemaker Health Aides – \$24,017

Function 4: Mental Health - \$18,025

Function 6: County Environmental and Education - \$77,181

Conservation - \$53,158; County Development Program - \$24,023

Function 7: Roads & Transportation - \$30,419

Administration - \$28,359; Roadway Maintenance – (\$99,880) decrease and  
General Roadway Expense - \$101,940

Function 8: Government Services to Residents - \$10,724

Elections – (\$7,176) decrease; Motor Vehicle - \$10,962; Recorder - \$7,477

Function 9: Administration - \$89,033

Policy/Administration \$38,848; General Services \$53,385; Risk Management \$3,200

Function 10: Other NonProgram Current – \$5,011 - TIF Programs

Function 10: Long Term Debt - \$800 - Jail Obligation Bond

Function 10: Capital Projects – (\$340,000) decrease Roadway Construction

Transfers : \$409,089

Budgeted transfers to the Secondary Roads Fund are \$114,260 from the General Basic Fund and \$1,527,757 from the Rural Service Fund; this is the maximum allowed by law.

Budgeted transfers to the Economic Development Fund are \$65,000 from the General Basic Fund and \$65,000 from the Rural Services Fund.

Budgeted transfers to the Secondary Roads Fund for the TIF Certified 12-1-2011; Transfer \$250,000 from Casino-TIF Fund.

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2013 is 1.20000. The General Supplemental levy remained unchanged compared to fiscal year 2012.

Iowa Code limits the Rural Services Basic levy rate to \$3.95 per \$1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy for fiscal year 2013 is 3.75198. The Rural Service levy 3.75198 remained unchanged compared to fiscal year 2012.

## Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon 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:

Jen Smit  
Lyon County Auditor  
206 South 2<sup>nd</sup> Avenue  
Rock Rapids, Iowa.  
jsmit@co.lyon.ia.us  
(712) 472-8517

### Lyon County Board of Supervisors:

Stephen Michael	District #1	Term: 1-1-2011 to 12-31-2014
Merle Koedam	District #2	Term: 1-1-2013 to 12-31-2016
Mark Behrens	District #3	Term: 1-1-2013 to 12-31-2016
Randy Bosch	District #4	Term: 1-1-2011 to 12-31-2014
Kirk J. Peters	District #5	Term: 1-1-2011 to 12-31-2014

Sources: Unemployment: <http://www.iowaworkforce.org> <http://iwin.iwd.state.ia.us>  
Consumer Price index (Bureau of Labor Statistics): <http://data.bls.gov>  
State Auditor's Office: <http://auditor.iowa.gov>  
Credit Rating:

**Lyon County**  
**Basic Financial Statements**

**Lyon County**  
**Statement of Net Assets**  
**June 30, 2012**

<b>Assets</b>	<u><b>Governmental Activities</b></u>
Cash and Pooled Investments	\$ 6,790,174
Receivables:	
Property Tax:	
Delinquent	9
Succeeding Year	5,320,209
Tax Increment Financing:	
Succeeding Year	335,649
Interest and Penalty on Property Tax	1
Accounts	323,638
Accrued Interest	290
Due from Agency Funds	77,858
Due from Other Governments	811,338
Inventories	821,138
Prepaid Expenses	63,935
Prepaid Lease	60,793
Capital Assets (Net of Accumulated Depreciation)	<u>28,061,879</u>
<b>Total Assets</b>	<u><b>42,666,911</b></u>
<b>Liabilities</b>	
Accounts Payable	525,386
Contracts Payable	94,188
Salaries and Benefits Payable	50,759
Compensated Absences Payable	6,312
Due to Other Governments	253,905
Accrued Interest Payable	2,199
Deferred Revenue:	
Succeeding Year Property Tax	5,320,209
Succeeding Year Tax Increment Financing	335,649

Lyon County

Statement of Net Assets

June 30, 2012

**Liabilities (Continued)**

Long-Term Liabilities:

Portion Due or Payable Within One Year:

Land Loan Payable	1,822
General Obligation Bonds	215,000
Compensated Absences	221,543

Portion Due or Payable After One Year:

General Obligation Bonds	915,000
Compensated Absences	37,462
Net OPEB Liability	26,295

**Total Liabilities**

8,005,729

**Net Assets**

Invested in Capital Assets, Net of Related Debt 26,930,057

Restricted for:

Supplemental Levy Purposes	340,839
Jail Improvements/Courthouse Security	102,302
Hotel and Motel Tax Purposes	63,541
Mental Health Purposes	177,338
Rural Services Purposes	1,057,129
Secondary Roads Purposes	2,579,583
Debt Service	9,079
Other Purposes	155,193

Unrestricted 3,246,121

**Total Net Assets**

\$ 34,661,182

See notes to financial statements.



Lyon County

Statement of Activities

Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,831,569	724,370	87,882	26,286	(1,993,031)
Physical Health and Social Services	784,661	368,723	150,516	0	(265,422)
Mental Health	1,056,122	79,767	792,103	0	(184,252)
County Environment and Education	824,981	270,551	32,334	138,655	(383,441)
Roads and Transportation	5,058,550	211,502	3,127,221	3,235,174	1,515,347
Governmental Services to Residents	482,930	279,282	3,138	0	(200,510)
Administration	1,036,241	4,389	0	0	(1,031,852)
Non-Program Current	80,478	0	0	0	(80,478)
Interest on Long-Term Debt	31,178	0	0	0	(31,178)
Capital Projects	182,642	0	0	0	(182,642)
<b>Total</b>	<b>\$ 12,369,352</b>	<b>1,938,584</b>	<b>4,193,194</b>	<b>3,400,115</b>	<b>(2,837,459)</b>
<b>General Revenues:</b>					
Property and Other County Tax Levied for:					
General Purposes					5,348,963
Debt Service					227,276
Tax Increment Financing					80,478
Penalty and Interest on Property Tax					21,527
Local Option Sales Tax					716,700
State Tax Credits					209,549
Grants and Contributions Not Restricted to Specific Purpose					80,660
Unrestricted Investment Earnings					104,307
Rents					47,148
Gain on Disposal of Capital Assets					107,184
Miscellaneous					25,575
<b>Total General Revenues</b>					<b>6,969,367</b>
Change in Net Assets					4,131,908
Net Assets Beginning of Year					30,529,274
Net Assets End of Year					<b>\$ 34,661,182</b>

See notes to financial statements.

**Lyon County**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>Special Revenue</u>				<b>Debt Service</b>	<b>Nonmajor Special Revenue</b>	<b>Total</b>
	<b>General</b>	<b>Mental Health</b>	<b>Rural Services</b>	<b>Secondary Roads</b>			
<b>Assets</b>							
Cash and Pooled Investments	\$ 1,873,974	431,308	999,535	1,266,030	11,277	374,459	4,956,583
Receivables:							
Property Tax:							
Delinquent	7	1	0	0	1	0	9
Succeeding Year	3,032,399	236,421	1,820,841	0	230,548	0	5,320,209
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	335,649	335,649
Interest and Penalty on Property Tax	1	0	0	0	0	0	1
Accounts	292,892	0	439	10,181	0	855	304,367
Accrued Interest	290	0	0	0	0	0	290
Due from Other Governmental Funds	0	0	0	238,908	0	0	238,908
Due from Agency Funds	73,630	0	0	3,000	0	1,228	77,858
Due from Other Governments	172,388	9,318	102,433	526,866	0	333	811,338
Inventories	6,242	36	505	814,355	0	0	821,138
Prepaid Expenditures	10,568	0	0	53,367	0	0	63,935
Prepaid Lease	0	0	0	60,793	0	0	60,793
<b>Total Assets</b>	<b>\$ 5,462,391</b>	<b>677,084</b>	<b>2,923,753</b>	<b>2,973,500</b>	<b>241,826</b>	<b>712,524</b>	<b>12,991,078</b>

**Liabilities and Fund Balances**

**Liabilities:**

Accounts Payable	\$ 63,909	29,892	1,648	229,785	0	710	325,944
Contracts Payable	89,930	0	0	4,258	0	0	94,188
Salaries and Benefits Payable	20,992	0	1,232	28,535	0	0	50,759
Compensated Absences	0	0	0	6,312	0	0	6,312
Due to Other Governmental Funds	0	0	3,133	0	0	235,775	238,908
Due to Other Governments	13,510	229,540	833	10,022	0	0	253,905
<b>Deferred Revenue:</b>							
Succeeding Year Property Tax	3,032,399	236,421	1,820,841	0	230,548	0	5,320,209
Succeeding Year Tax Increment Financing	0	0	0	0	0	335,649	335,649
Other	175,285	1,387	6,685	240,248	1	230	423,836
<b>Total Liabilities</b>	<b>3,396,025</b>	<b>497,240</b>	<b>1,834,372</b>	<b>519,160</b>	<b>230,549</b>	<b>572,364</b>	<b>7,049,710</b>

**Fund Balances:**

**Nonspendable:**

Inventories	6,242	36	505	814,355	0	0	821,138
Prepaid Expenditures/Lease	10,568	0	0	114,160	0	0	124,728

**Restricted For:**

Supplemental Levy Purposes	340,411	0	0	0	0	0	340,411
County Government Assistance Purposes	18,248	0	0	0	0	0	18,248
Jail Improvements/Courthouse Security	50,431	0	0	0	0	0	50,431
Hotel and Motel Tax Purposes	63,541	0	0	0	0	0	63,541
Mental Health Purposes	0	179,808	0	0	0	0	179,808
Rural Services Purposes	0	0	1,088,876	0	0	0	1,088,876
Secondary Roads Purposes	0	0	0	1,525,825	0	0	1,525,825
Debt Service	0	0	0	0	11,277	0	11,277
Other Purposes	0	0	0	0	0	130,478	130,478

**Committed For:**

Conservation Purposes	0	0	0	0	0	97,654	97,654
Economic Development Purposes	0	0	0	0	0	147,803	147,803

Unassigned	1,576,925	0	0	0	0	(235,775)	1,341,150
<b>Total Fund Balances</b>	<b>2,066,366</b>	<b>179,844</b>	<b>1,089,381</b>	<b>2,454,340</b>	<b>11,277</b>	<b>140,160</b>	<b>5,941,368</b>

**Total Liabilities and Fund Balances**

<b>\$ 5,462,391</b>	<b>677,084</b>	<b>2,923,753</b>	<b>2,973,500</b>	<b>241,826</b>	<b>712,524</b>	<b>12,991,078</b>
---------------------	----------------	------------------	------------------	----------------	----------------	-------------------

See notes to financial statements.



Lyon County

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

June 30, 2012

**Total Governmental Fund Balances (Pages 24-25)** \$ 5,941,368

*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 cost of assets is \$38,989,139 and the accumulated depreciation is \$10,927,260. 28,061,879

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 423,836

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 1,653,420

Long-term liabilities, including the accrued interest payable, land loan payable, general obligation bonds payable, certain compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,419,321)

**Net Assets of Governmental Activities (Pages 20-21)** \$ 34,661,182

See notes to financial statements.

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

June 30, 2012

	Special Revenue				Debt Service	Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads			
<b>Revenues:</b>							
Property and Other County Tax	\$ 3,462,165	234,502	1,652,320	0	227,278	0	5,576,265
Local Option Sales Tax	0	0	716,701	0	0	0	716,701
Tax Increment Financing	0	0	0	0	0	80,478	80,478
Interest and Penalty on Property Tax	21,567	0	0	0	0	0	21,567
Intergovernmental	905,079	819,346	262,496	3,284,954	9,656	10,355	5,291,886
Licenses and Permits	41,315	0	29,060	7,470	0	0	77,845
Charges for Service	836,444	7,686	210	3,058	0	92,697	940,095
Use of Money and Property	139,262	0	0	1,440	534	640	141,876
Miscellaneous	211,653	53,500	2,815	46,223	0	47,613	361,804
<b>Total Revenues</b>	<b>5,617,485</b>	<b>1,115,034</b>	<b>2,663,602</b>	<b>3,343,145</b>	<b>237,468</b>	<b>231,783</b>	<b>13,208,517</b>
<b>Expenditures:</b>							
<b>Operating:</b>							
Public Safety and Legal Services	1,981,299	0	802,915	0	0	4,028	2,788,242
Physical Health and Social Services	760,526	0	23,218	0	0	0	783,744
Mental Health	0	1,054,644	0	0	0	0	1,054,644
County Environment and Education	537,924	0	107,608	0	0	122,291	767,823
Roads and Transportation	0	0	0	4,531,714	0	235,775	4,767,489
Governmental Services to Residents	469,874	0	1,296	0	0	4,500	475,670
Administration	1,088,565	0	0	0	0	0	1,088,565
Non-Program Current	0	0	0	0	0	80,478	80,478
Debt Service	0	0	0	0	241,523	0	241,523
Capital Projects	96,492	0	0	1,331,085	0	30,916	1,458,493
<b>Total Expenditures</b>	<b>4,934,680</b>	<b>1,054,644</b>	<b>935,037</b>	<b>5,862,799</b>	<b>241,523</b>	<b>477,988</b>	<b>13,506,671</b>

Excess (Deficiency) of Revenues Over (Under ) Expenditures	682,805	60,390	1,728,565	(2,519,654)	(4,055)	(246,205)	(298,154)
Other Financing Sources (Uses):							
Sale of Capital Assets	700	0	0	9,930	0	0	10,630
Operating Transfers In	0	0	0	1,482,928	0	130,000	1,612,928
Operating Transfers Out	(169,926)	0	(1,443,002)	0	0	0	(1,612,928)
Total Other Financing Sources (Uses)	(169,226)	0	(1,443,002)	1,492,858	0	130,000	10,630
Net Change in Fund Balances	513,579	60,390	285,563	(1,026,796)	(4,055)	(116,205)	(287,524)
Fund Balances Beginning of Year	1,552,787	119,454	803,818	3,481,136	15,332	256,365	6,228,892
Fund Balances End of Year	\$ 2,066,366	179,844	1,089,381	2,454,340	11,277	140,160	5,941,368

See notes to financial statements.

Lyon County

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

**Net Change in Fund Balances - Total Governmental Funds (Pages 28-29)** \$ (287,524)

*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 expense in the current year, as follows:

Expenditures for capital assets	\$ 2,523,594	
Capital assets contributed by the Iowa Department of Transportation	3,235,174	
Depreciation expense	1,246,464)	4,512,304

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report only the proceeds from the disposition of capital assets as an increase in financial resources. (295,009)

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	(24)	
Other	(72,761)	(72,785)

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 were as follows:

Repaid		211,822
--------	--	---------

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	7,223	
Other postemployment benefits	(8,052)	
Interest on long-term debt	344	(485)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 63,585

**Change in Net Assets of Governmental Activities (Page23)** \$ 4,131,908

See notes to financial statements.

**Lyon County**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2012**

	<b>Internal Service - Employee Group Health</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,833,591
Accounts Receivable	19,271
<b>Total Assets</b>	<b>1,852,862</b>
<b>Liabilities</b>	
Accounts Payable	199,442
<b>Net Assets</b>	
Unrestricted	<b>\$ 1,653,420</b>

See notes to financial statements.

## Lyon County

**Statement of Revenues, Expenses and Changes  
in Fund Net Assets  
Proprietary Fund**

**Year Ended June 30, 2012**

		<b>Internal Service - Employee Group Health</b>
Operating Revenues:		
Reimbursements from Governmental Funds	\$	1,239,620
Reimbursements from Agency Funds (Assessor/Assessor - Special Appraisers)		57,440
Reimbursements from Current Employees		107,660
Reimbursements from Retired Employees		25,200
Insurance Reimbursements/Pharmacy Rebates		327,429
Total Operating Revenues		1,757,349
Operating Expenses:		
Medical Claims	\$	1,380,750
Insurance Premiums		307,906
Administrative Fees		20,551
Certification of Insurance		100
Chapter 509A Filing Actuarial Fee		950
Iowa Reinsurance Assessment Fee		6,678
Total Operating Expenses		1,716,935
Operating Income		40,414
Non-Operating Revenues:		
Interest Income		23,171
Net Income		63,585
Net Assets Beginning of Year		1,589,835
Net Assets End of Year	\$	1,653,420

See notes to financial statements.

Lyon County

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Cash Flows from Operating Activities:	
Cash Received from Governmental Funds Reimbursements	\$ 1,239,620
Cash Received from Agency Funds Reimbursements	57,440
Cash Received from Current and Retired Employees	132,860
Cash Received from Insurance Reimb./Pharmacy Rebates	325,369
Cash Paid to Suppliers for Services/Charges	<u>(1,665,796)</u>
Net Cash Provided by Operating Activities	89,493
Cash Flows from Investing Activities:	
Interest on Investments	<u>23,171</u>
Net Increase in Cash and Cash Equivalents	112,664
Cash and Cash Equivalents Beginning of Year	<u>1,720,927</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 1,833,591</u></u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income	\$ 40,414
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Increase in Accounts Receivable	(2,061)
Increase in Accounts Payable	<u>51,140</u>
Net Cash Provided by Operating Activities	<u><u>\$ 89,493</u></u>

See notes to financial statements.

## Lyon County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

## Assets

Cash and Pooled Investments:	
County Treasurer	\$ 842,293
Other County Officials	71,389
Flex Spending Plan	3,197
Receivables:	
Property Tax:	
Delinquent	52
Succeeding Year	11,741,035
Tax Increment Financing:	
Succeeding Year	446,916
Accounts	16,314
Due from Other Agency Fund	333
Due from Other Governments	20,647
Inventories	5,198
	<hr/>
<b>Total Assets</b>	<b>13,147,374</b> <hr/>

## Liabilities

Due to County's Governmental Funds	77,858
Due to Other Agency Fund	333
Due to Other Governments	12,940,548
Trusts Payable	115,685
Compensated Absences	12,950
	<hr/>
<b>Total Liabilities</b>	<b>13,147,374</b> <hr/>

<b>Net Assets</b>	<b>\$ 0</b> <hr/> <hr/>
-------------------	-------------------------

See notes to financial statements.

## Lyon County

### Notes to Financial Statements

June 30, 2012

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

Lyon 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. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

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

##### A. Reporting Entity

For financial reporting purposes, Lyon 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. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing

Authority. 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 an Agency Fund of the County for the Assessor, Joint E911 Service and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2012, the County did not receive any revenue from or contribute any money to the Region III Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium, the Northwest Iowa Regional Housing Authority, or the Lyon County Economic Development Consortium. The County paid \$205 to the Northwest Iowa Solid Waste Agency for florescent bulbs disposal, \$31,840 to YES for juvenile services provided and \$40,342 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,000 for sign work and supplies (shown as a due to/due from at June 30, 2012 – see Note 3); the Emergency Management Services paid the County \$2,400 for office space rent and \$323 for phone privileges; and the County Assessor contributed \$57,440 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

#### 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

*Unrestricted net assets* consist of net assets 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest

restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year 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, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any 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 cost-reimbursements 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 with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and 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 are charges to various funds, current employees and retired employees for health plan costs, insurance reimbursements and pharmacy rebates. Operating expenses for the Internal Service Fund include the cost of services and administrative related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal.

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

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenues are

deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2010 assessed property valuations; are for the tax accrual period July 1, 2011 through June 30, 2012 and reflect 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.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid to the County as of June 30, 2012. The General Fund accounts receivable total includes \$87,711 in jail/probation fees receivables and \$57,047 in ambulance charges receivables that were not collected within sixty days after year end. It is possible that a large portion of these jail/probation fees and ambulance charges receivables may not be collected within one year.

Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds and Due to Other Agency Fund – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some secondary roads supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and Building Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 15
Vehicles	3 – 10

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

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 or other requirements are met.

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, revenues that have been received but are not earned as of June 30, 2012, 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 and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

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

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

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any

other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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 did not exceed the amount budgeted for any function; however, a department’s appropriation amount was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

(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 and its written investment policy 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; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2012, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FHLMC	SER 2115 CL	January 15, 2029	\$ 47,632
FHLMC	SER 1570 CL	August 15, 2023	10,926
			<u>\$ 58,558</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$108,768, that are not subject to risk categorization.

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

Credit risk. The investments in the FHLMCs, Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2012 are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2012.

**(3) Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds, and Due to Other Agency Fund**

The detail of receivables and payables between the County's different governmental funds and agency funds and between different agency funds for transactions at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Conservation)	\$ 60,742
	Auto License and Use Tax	10,888
	E911 Surcharge	2,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	3,133
	County Tax Increment Financing	235,775
Special Revenue: Secondary Roads	Agency: E911 Surcharge	3,000
County Recorder's Records Management	County Offices (Recorder)	998
Sheriff's Asset Forfeiture	County Offices (Sheriff)	230
Agency: Other (Co. Recorder's Electronic Fee)	Agency: County Offices (Recorder)	333
	Total	<u>\$ 317,099</u>

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

The balance owed to the Secondary Roads Fund by the County Tax Increment Financing Fund is the result of interfund loans to help improve qualifying roadways in an urban renewal area in Lyon County. Repayments will be made on the interfund loans as tax increment financing proceeds are received.

**(4) 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	Special Revenue: Rural Services	\$ 1,378,002
	General	104,926
Economic Development	Special Revenue: Rural Services	65,000
	General	65,000
		\$ 1,612,928

The Rural Services and General Funds transfers to the Secondary Roads Fund were generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Rural Services and General Funds transfers to the Economic Development Fund were to create funding for the Economic Development Fund.

**(5) 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
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,717,119	0	0	1,717,119
Construction in Progress	759,962	4,478,319	(3,644,218)	1,594,063
Total Capital Assets Not Being Depreciated	2,477,081	4,478,319	(3,644,218)	3,311,182
Capital Assets Being Depreciated:				
Buildings	6,256,976	257,015	0	6,513,991
Improvements Other Than Buildings	806,027	30,916	0	836,943
Machinery, Equipment and Vehicles	9,685,261	908,531	(607,786)	9,986,006

Infrastructure	14,612,812	3,728,205	0	18,341,017
Total Capital Assets Being Depreciated	<u>31,361,076</u>	<u>4,924,667</u>	<u>(607,786)</u>	<u>35,677,957</u>
Less Accumulated Depreciation For:				
Buildings	1,817,930	147,616	0	1,965,546
Improvements Other Than Buildings	350,394	39,441	0	389,836
Machinery, Equipment and Vehicles	5,373,416	560,668	(312,777)	5,621,307
Infrastructure	2,451,833	498,739	0	2,950,572
Total Accumulated Depreciation	<u>9,993,573</u>	<u>1,246,464</u>	<u>(312,777)</u>	<u>10,927,260</u>
Total Capital Assets Being Depreciated, Net	<u>21,367,503</u>	<u>3,678,203</u>	<u>(295,009)</u>	<u>24,750,697</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,844,584</u>	<u>8,156,522</u>	<u>(3,939,227)</u>	<u>28,061,879</u>

The County does not have any “intangible” capital assets as of June 30, 2012.

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 178,204
Physical Health and Social Services	701
County Environment and Education	85,989
Roads and Transportation	923,967
Governmental Services to Residents	8,528
Administration	<u>49,075</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,246,464</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. 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/Utilities	<u>\$ 13,510</u>
Special Revenue:		
Mental Health	Services	229,540
Secondary Roads	Services/Utilities	10,022
Rural Services	Services	<u>833</u>
Special Revenue Total		<u>240,395</u>
Total for Governmental Funds		<u>\$ 253,905</u>

Agency:		
County Offices	Collections	\$ 12,480
Agricultural Extension Education		192,660
County Assessor		336,578
County Assessor – Special Appraisers		52,945
Schools		8,328,845
Community Colleges		419,903
Corporations		2,812,906
Townships		266,678
Auto License and Use Tax		261,881
E911 Surcharge		191,656
E911 Operating		8,008
Emergency Management		52,176
All Other		3,832
		<hr/>
Total for Agency Funds		<u>\$ 12,940,548</u>

**(7) Changes in Long-Term Liabilities**

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

	General Obligation Bonds	Compensated Absences	Land Loan	Net OPEB Liability	Total
Balance Beginning of Year	\$ 1,340,000	266,228	3,644	18,243	1,628,115
Increases	0	323,383	0	8,052	331,435
Decreases	( 210,000)	( 330,606)	( 1,822)	( 0)	( 542,428)
Balance End of Year	1,130,000	259,005	1,822	26,295	1,417,122
Due Within One Year	\$ 215,000	221,543	1,822	0	438,365

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.00%	215,000	26,823	241,823
2014	2.00%	220,000	22,523	242,523
2015	2.25%	225,000	18,122	243,122
2016	2.60%	230,000	13,060	243,060
2017	2.95%	240,000	7,080	247,080
		<hr/>		
Total		\$ 1,130,000	87,608	1,217,608

During the fiscal year ended June 30, 2012, the County retired \$210,000 in general obligation refunding bonds. The County paid interest of \$31,023 and bond administration charges of \$500. These general obligations bonds are being redeemed through the Debt Service Fund.

#### Land Loan Payable

During the fiscal year ended June 30, 2004, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of \$1,822 on the 15<sup>th</sup> of each October until the note is satisfied. Payments of the \$1,822 are scheduled to be paid annually until October 15, 2012. The County paid off \$1,822 of the loan during the fiscal year ended June 30, 2012, resulting in a loan balance of \$1,822 on June 30, 2012. This loan is being satisfied through the General Fund.

### **(8) Operating Lease Arrangement**

#### Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to \$100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$60,793, reported as a prepaid lease asset in the Statement of Net Assets and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2012 until September 24, 2030.

### **(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% 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 \$347,464, \$306,069, and \$280,237, respectively, equal to the required contributions for each year.

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 82 active and 4 retired members participating in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 10,158
Interest on net OPEB obligation	730
Adjustment to annual required contribution	<u>(720)</u>
Annual OPEB cost	10,168
Contributions made	<u>(2,116)</u>
Increase in net OPEB obligation	8,052
Net OPEB obligation beginning of year	<u>18,243</u>
Net OPEB obligation end of year	<u>\$ 26,295</u>

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

For the year ended June 30, 2012, the County contributed \$2,116 to the medical plan. Plan members eligible for benefits did not make any contributions.

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,	Percentage of Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 10,158	6.9%	9,475
2011	\$ 10,163	13.7%	18,243
2012	\$ 10,168	20.8%	26,295

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$81,273, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,273. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,518,039 and the ratio of the UAAL to covered payroll was 2.3%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2012 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$8,040 annually for retirees less than age 60 and \$9,900 annually for retirees who have attained age 60. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(11) Risk Management**

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$168,441.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total

members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable 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 coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000, employee blanket bonding in the amount of \$200,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(12) Employee Health Insurance Plan**

The Internal Service, 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 administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$55,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Sun Life Assurance Company of Canada/Sun Life Financial. The stop loss insurance coverage has a maximum lifetime reimbursement amount of \$2,000,000 per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

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 services agreement, monthly payments of service fees, stop loss insurance premiums and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2012 were \$1,239,620. The County Assessor/County Assessor – Special Appraisers contributed \$57,440 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$199,442, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year

claims and to establish a reserve for catastrophic losses. That reserve was \$1,653,420 at June 30, 2012 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	\$ 148,302
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2012):	
Current and prior year events	1,380,750
Payments:	
Current and prior year events	<u>( 1,329,610)</u>
Unpaid medical claims end of fiscal year	<u>\$ 199,442</u>

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

**(13) Intergovernmental Agreement**

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2012, except for \$205 for the disposal of florescent bulbs.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$2,318,800 as of June 30, 2012 and the portion of the liability that has been recognized by the Agency as of June 30, 2012 is \$1,355,606. The estimated remaining life of the landfill is 27 years and the capacity used at June 30, 2012 is approximately 58 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2012, assets of \$1,514,198 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

**(14) Deficit Fund Balance**

The Special Revenue, County Tax Increment Financing Fund had a deficit fund balance of \$235,775. This deficit balance is the result of qualifying road improvement costs within a County urban renewal area in excess of available funds. This deficit will be eliminated in fiscal year 2013 upon collection of tax increment financing revenues.

**(15) Commitments**

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2013, the annual base charge can be revised to adjust for program costs and the estimated U.S Census Bureau data from 2010. In fiscal years ending June 30, 2014 to June 30, 2016 the annual base charge can be revised to adjust to the actual U.S Census Bureau data from 2010. In fiscal year ending June 30, 2017, the annual base charge can be revised to adjust for to the actual U.S Census Bureau data from 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2013-2017 are \$9,844 per year for a total of \$49,220. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,844 on this commitment during the fiscal year ended June 30, 2012.

In November 2011, the County entered into a contract to purchase 40,000 tons of gravel for \$166,000 (see Subsequent Events below).

In March 2012, the Board of Supervisors approved the purchase (with trade-in) of election equipment at a maximum cost of \$100,000 (see Subsequent Events below).

In May 2012, the Board of Supervisors approved an agreement with Pictometry International for imagery services through fiscal year 2016 for \$51,913 (\$4,719 due in fiscal year 2013, \$14,158 due in fiscal years 2014 and 2015, and \$18,878 due in fiscal year 2016).

In May 2012, the Conservation Board approved a contract for materials and labor for the construction of a new shop at Lake Pahoja for \$165,814 (see Subsequent Events below).

**(16) Subsequent Events**

In July 2012, the Board of Supervisors approved a contract for a security system in the courthouse and annex. The cost of the system was \$8,687 and was paid from the General Fund.

In August 2012, the County paid \$83,349 from the General Fund for new election equipment.

In August 2012, the County paid \$193,303 from the Secondary Roads Fund for the micro-surfacing of County Road A-18.

In August 2012, the County paid \$166,000 (\$14,225 was paid by the County Tax Increment Financing Fund and \$151,775 was paid by the Secondary Roads Fund) for the purchase of 40,000 tons of gravel.

In September 2012, the Board approved the purchase of land for \$134,474 to be used for conservation purposes. The purchase was paid from the General Fund with the cost to be paid from funds received from hotel and motel tax receipts and grant receipts. A down payment was made on the land in September 2012 for \$15,000. In October 2012, an additional \$119,474 was paid for the final settlement on this land purchase.

In September 2012, the Board entered into a contract for six culvert construction projects. Payments totaling \$267,188 were made for the completion of these projects from the Secondary Roads Fund.

In May 2013, final payment was made on the construction contract for the new shop at Lake Pahoja. Construction costs consisting of labor and materials (including the construction contract commitment) totaled \$192,311 and were paid from the CS Projects and Acquisition Fund.

**(17) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**(18) Special Investigation**

The County requested the Office of Auditor of State to perform a special investigation of the Lyon County Engineer's Office as a result of concerns identified of alleged misappropriation of funds by employees. The Auditor of State's special investigation for the period August 1, 2006 through May 31, 2012 identified \$13,947 of undeposited collections, which included \$4,863 of septic system inspection fee collections (which could not be identified or were diverted by the County Engineer) and \$9,084 of undeposited collections of proceeds from the sale of scrap materials. Additionally, the special investigation identified \$404,224 of costs paid by the County for road resurfacing, which should have been billed in a timely manner to certain cities within the County, but were not.

Copies of the Auditor of State's special investigation report were filed with the Lyon County Attorney's Office, the Osceola County Attorney's Office, the Attorney General's Office, the Lyon County Sheriff's Office and the Iowa Division of Criminal Investigation.



**Lyon County**  
**Required Supplementary Information**

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

**Required Supplementary Information**

**Year Ended June 30, 2012**

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and Other County Tax	\$ 6,325,986	5,476,712	6,066,712	259,274
Interest and Penalty on Property Tax	21,567	19,050	19,050	2,517
Intergovernmental	5,866,549	5,395,473	5,557,481	309,068
Licenses and Permits	75,547	70,686	70,686	4,861
Charges for Service	931,745	706,910	726,110	205,635
Use of Money and Property	142,465	176,065	176,065	(33,600)
Miscellaneous	570,614	81,212	289,443	281,171
<b>Total Receipts</b>	<b>13,934,473</b>	<b>11,926,108</b>	<b>12,905,547</b>	<b>1,028,926</b>
<b>Disbursements</b>				
Public Safety and Legal Services	2,903,469	2,877,766	3,020,991	117,522
Physical Health and Social Services	784,879	911,950	911,950	127,071
Mental Health	988,223	1,045,157	1,093,689	105,466
County Environment and Education	765,893	793,862	808,369	42,476
Roads and Transportation	5,080,733	4,499,907	5,246,910	166,177
Governmental Services to Residents	474,243	474,852	586,252	112,009
Administration	1,036,436	1,049,351	1,049,351	12,915
Non-Program Current	80,478	85,414	85,414	4,936
Debt Service	241,523	241,623	241,623	100
Capital Projects	1,615,066	812,000	1,792,600	177,534
<b>Total Disbursements</b>	<b>13,970,943</b>	<b>12,791,882</b>	<b>14,837,149</b>	<b>866,206</b>
Deficiency of Receipts Under Disbursements	(36,470)	(865,774)	(1,931,602)	1,895,132
Other Financing Sources, Net	8,560	0	0	8,560
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(27,910)	(865,774)	(1,931,602)	1,903,692
Balances Beginning of Year	4,984,493	4,340,472	4,984,493	0
<b>Balances End of Year</b>	<b>\$ 4,956,583</b>	<b>3,474,698</b>	<b>3,052,891</b>	<b>1,903,692</b>

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2012

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 13,934,473	(725,956)	13,208,517
Expenditures	13,970,943	(464,272)	13,506,671
Net	(36,470)	(261,684)	(298,154)
Other Financing Sources, Net	8,560	2,070	10,630
Beginning Fund Balances	4,984,493	1,244,399	6,228,892
Ending Fund Balances	\$ 4,956,583	984,785	5,941,368

See accompanying independent auditor's report.

## **Lyon County**

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund (when applicable). 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, four budget amendments increased budgeted disbursements by \$2,045,267. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2012, disbursements did not exceed the amount budgeted for any function; however, a department's appropriation amount was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

**Lyon County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Required Supplementary Information**

---

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</b>
2010	Jul 1, 2010	\$ 0	81,273	81,273	0.00%	3,243,687	2.5%
2011	Jul 1, 2010	0	81,273	81,273	0.00%	3,453,055	2.4%
2012	Jul 1, 2010	0	81,273	81,273	0.00%	3,518,039	2.3%

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

See accompanying independent auditor's report.



**Lyon County**  
**Supplementary Information**

**Lyon County**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**

**June 30, 2012**

	<b>Special</b>			
	<b>Resource Enhancement and Protection</b>	<b>County Recorder's Records Management</b>	<b>Sheriff's Asset Forfeiture</b>	<b>County Tax Increment Financing</b>
<b>Assets</b>				
Cash and Pooled Investments	\$ 38,477	20,874	15,619	0
Receivables:				
Tax Increment Financing:				
Succeeding Year	0	0	0	335,649
Accounts Receivable	0	0	0	0
Due from Agency Funds	0	998	230	0
Due from Other Governments	0	0	0	0
<b>Total Assets</b>	<b>\$ 38,477</b>	<b>21,872</b>	<b>15,849</b>	<b>335,649</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	0	0	0	0
Due to Other Governmental Funds	0	0	0	235,775
Deferred Revenue:				
Succeeding Year Tax Increment Financing	0	0	0	335,649
Other	0	0	230	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>230</b>	<b>571,424</b>
<b>Fund Balances:</b>				
Restricted For:				
Other Purposes	38,477	21,872	15,619	0
Committed For:				
Conservation Purposes	0	0	0	0
Economic Development Purposes	0	0	0	0
Unassigned	0	0	0	(235,775)
<b>Total Fund Balances</b>	<b>38,477</b>	<b>21,872</b>	<b>15,619</b>	<b>(235,775)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 38,477</b>	<b>21,872</b>	<b>15,849</b>	<b>335,649</b>

See accompanying independent auditor's report.

<b>Revenue</b>					
<b>CS Projects &amp; Conservation Land Acquisition Trust</b>	<b>Well Closing Trust</b>	<b>Economic Development</b>	<b>County Attorney Incentive</b>	<b>Revolving Loans-Development Projects</b>	<b>Total</b>
96,799	27,973	50,142	26,204	98,371	374,459
0	0	0	0	0	335,649
855	0	0	0	0	855
0	0	0	0	0	1,228
0	0	0	333	0	333
<b>97,654</b>	<b>27,973</b>	<b>50,142</b>	<b>26,537</b>	<b>98,371</b>	<b>712,524</b>
0	0	710	0	0	710
0	0	0	0	0	235,775
0	0	0	0	0	335,649
0	0	0	0	0	230
0	0	710	0	0	572,364
0	27,973	0	26,537	0	130,478
97,654	0	0	0	0	97,654
0	0	49,432	0	98,371	147,803
0	0	0	0	0	(235,775)
<b>97,654</b>	<b>27,973</b>	<b>49,432</b>	<b>26,537</b>	<b>98,371</b>	<b>140,160</b>
<b>97,654</b>	<b>27,973</b>	<b>50,142</b>	<b>26,537</b>	<b>98,371</b>	<b>712,524</b>

**Lyon County**

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds**

**Year Ended June 30, 2012**

	<b>Resource Enhancement and Protection</b>	<b>County Recorder's Records Management</b>	<b>Sheriff's Asset Forfeiture</b>	<b>County Tax Increment Financing</b>
<b>Revenues:</b>				
Tax Increment Financing	0	0	0	80,478
Intergovernmental	10,355	0	0	0
Charges for Service	0	3,545	0	0
Use of Money and Property	189	113	0	0
Miscellaneous	0	0	13,364	0
Total Revenues	10,544	3,658	13,364	80,478
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	0	0	545	0
County Environment and Education	0	0	0	0
Roads and Transportation	0	0	0	235,775
Governmental Services to Residents	0	4,500	0	0
Non-Program Current	0	0	0	80,478
Capital Projects	0	0	0	0
Total Expenditures	0	4,500	545	316,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,544	(842)	12,819	(235,775)
<b>Other Financing Sources:</b>				
Operating Transfers In	0	0	0	0
Net Change in Fund Balances	10,544	(842)	12,819	(235,775)
Fund Balances Beginning of Year	27,933	22,714	2,800	0
Fund Balances End of Year	\$ 38,477	21,872	15,619	(235,775)

See accompanying independent auditor's report.

Schedule 2

<b>CS Projects &amp; Conservation Land Acquisition Trust</b>	<b>Well Closing Trust</b>	<b>Economic Development</b>	<b>County Attorney Incentive</b>	<b>Revolving Loans- Development Projects</b>	<b>Total</b>
0	0	0	0	0	80,478
0	0	0	0	0	10,355
89,152	0	0	0	0	92,697
338	0	0	0	0	640
7,500	0	3,628	4,533	18,588	47,613
96,990	0	3,628	4,533	18,588	231,783
0	0	0	3,483	0	4,028
0	0	122,291	0	0	122,291
0	0	0	0	0	235,775
0	0	0	0	0	4,500
0	0	0	0	0	80,478
30,916	0	0	0	0	30,916
30,916	0	122,291	3,483	0	477,988
66,074	0	(118,663)	1,050	18,588	(246,205)
0	0	130,000	0	0	130,000
66,074	0	11,337	1,050	18,588	(116,205)
31,580	27,973	38,095	25,487	79,783	256,365
97,654	27,973	49,432	26,537	98,371	140,160

**Lyon County**

**Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

**Year Ended June 30, 2012**

	<b>County Offices</b>	<b>Agricultural Extension Education</b>	<b>County Assessor</b>	<b>County Assessor- Special Appraisers</b>	<b>Schools</b>	<b>Community Colleges</b>
<b>Assets</b>						
Cash and Pooled Investments:						
County Treasurer	\$ 0	2,085	59,595	52,945	88,775	4,534
Other County Officials	71,389	0	0	0	0	0
Flex Spending Plan	0	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	0	1	0	21	1
Succeeding Year	0	190,575	288,244	0	8,240,049	415,368
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	1,476	0	0	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Inventories	3,510	0	1,688	0	0	0
<b>Total Assets</b>	<b>\$ 76,375</b>	<b>192,660</b>	<b>349,528</b>	<b>52,945</b>	<b>8,328,845</b>	<b>419,903</b>
<b>Liabilities</b>						
Due to County's Governmental Fur	61,970	0	0	0	0	0
Due to Other Agency Funds	333	0	0	0	0	0
Due to Other Governments	12,480	192,660	336,578	52,945	8,328,845	419,903
Trusts Payable	1,592	0	0	0	0	0
Compensated Absences	0	0	12,950	0	0	0
<b>Total Liabilities</b>	<b>\$ 76,375</b>	<b>192,660</b>	<b>349,528</b>	<b>52,945</b>	<b>8,328,845</b>	<b>419,903</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
25,243	2,726	272,769	173,646	8,008	39,701	105,833	6,433	842,293
0	0	0	0	0	0	0	0	71,389
0	0	0	0	0	0	0	3,197	3,197
29	0	0	0	0	0	0	0	52
2,340,718	263,952	0	0	0	0	0	2,129	11,741,035
446,916	0	0	0	0	0	0	0	446,916
0	0	0	14,838	0	0	0	0	16,314
0	0	0	0	0	0	0	333	333
0	0	0	8,172	0	12,475	0	0	20,647
0	0	0	0	0	0	0	0	5,198
<b>2,812,906</b>	<b>266,678</b>	<b>272,769</b>	<b>196,656</b>	<b>8,008</b>	<b>52,176</b>	<b>105,833</b>	<b>12,092</b>	<b>13,147,374</b>
0	0	10,888	5,000	0	0	0	0	77,858
0	0	0	0	0	0	0	0	333
2,812,906	266,678	261,881	191,656	8,008	52,176	0	3,832	12,940,548
0	0	0	0	0	0	105,833	8,260	115,685
0	0	0	0	0	0	0	0	12,950
<b>2,812,906</b>	<b>266,678</b>	<b>272,769</b>	<b>196,656</b>	<b>8,008</b>	<b>52,176</b>	<b>105,833</b>	<b>12,092</b>	<b>13,147,374</b>

**Lyon County**

**Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

**Year Ended June 30, 2012**

<b>Assets and Liabilities</b>	<b>County Offices</b>	<b>Agricultural Extension Education</b>	<b>County Assessor</b>	<b>County Assessor- Special Appraisers</b>	<b>Schools</b>	<b>Community Colleges</b>
Balances Beginning of Year	\$ 77,815	180,797	177,747	202,132	8,053,810	393,467
Additions:						
Property and Other County Tax (Including TIF)	0	190,784	288,405	182	7,910,641	415,823
E911 Surcharge	0	0	0	0	0	0
State Tax Credits	0	7,671	5,872	6,677	327,979	16,682
Intergovernmental Replacements, Grants and Revenues	0	90	69	79	3,825	196
Contribution from Lyon County	0	0	0	0	0	0
Forfeitures	1,335	0	0	0	0	0
Office Fees and Collections	383,766	0	1,691	0	0	0
Elections	21,837	0	0	0	0	0
Electronic Transaction Fee	0	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0	0
Assessments	0	0	0	0	0	0
Trusts	12,427	0	0	0	0	0
Interest	36	0	0	0	0	0
Total Additions	419,401	198,545	296,037	6,938	8,242,445	432,701
Deductions:						
Agency Remittances:						
To County Funds	186,765	0	27,320	30,120	0	0
To Other Governments	222,576	186,682	96,936	126,005	7,967,410	406,265
Trusts Paid Out	11,500	0	0	0	0	0
Total Deductions	420,841	186,682	124,256	156,125	7,967,410	406,265
Balances End of Year	\$ 76,375	192,660	349,528	52,945	8,328,845	419,903

See accompanying independent auditor's report.

Schedule 4

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
2,745,059	208,759	302,646	180,983	8,008	45,068	100,422	14,155	12,690,868
2,790,047	264,028	0	0	0	0	0	2,129	11,862,039
0	0	0	99,104	0	0	0	0	99,104
111,120	8,673	0	0	0	0	0	81	484,755
2,799	57	0	0	0	19,633	0	1	26,749
0	0	0	0	0	40,342	0	0	40,342
0	0	0	0	0	0	0	0	1,335
0	0	0	0	0	0	0	1,441	386,898
0	0	0	0	0	0	0	0	21,837
0	0	0	0	0	0	0	3,547	3,547
0	0	3,696,398	0	0	0	0	0	3,696,398
0	0	0	0	0	0	0	65,407	65,407
0	0	0	0	0	0	135,179	96,559	244,165
0	0	0	939	0	0	0	2	977
2,903,966	272,758	3,696,398	100,043	0	59,975	135,179	169,167	16,933,553
0	0	133,723	0	0	2,723	0	0	380,651
2,836,119	214,839	3,592,552	84,370	0	50,144	0	79,924	15,863,822
0	0	0	0	0	0	129,768	91,306	232,574
2,836,119	214,839	3,726,275	84,370	0	52,867	129,768	171,230	16,477,047
2,812,906	266,678	272,769	196,656	8,008	52,176	105,833	12,092	13,147,374

**Lyon County**

**Schedule of Revenues by Source and Expenditures by Function –  
All Governmental Funds**

**For the Last Ten Years**

	<b>Modified</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>				
Property and Other County Tax	\$5,576,265	\$4,876,829	4,411,208	4,057,468
Local Option Sales Tax	716,701	506,400	461,496	466,114
Tax Increment Financing	80,478	34,573	28,097	27,130
Interest and Penalty on Property Tax	21,567	24,040	22,061	19,766
Intergovernmental	5,291,886	6,338,486	5,191,837	5,143,744
Licenses and Permits	77,845	71,427	68,272	59,212
Charges for Service	940,095	831,945	773,429	763,311
Use of Money and Property	141,876	156,496	182,685	213,890
Miscellaneous	361,804	421,700	60,018	138,376
<b>Total</b>	<b>\$13,208,517</b>	<b>\$13,261,896</b>	<b>11,199,103</b>	<b>10,889,011</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public Safety and Legal Services	\$2,788,242	\$2,782,976	2,572,767	2,461,084
Physical Health and Social Services	783,744	793,614	785,963	758,292
Mental Health	1,054,644	1,108,429	1,007,259	1,017,862
County Environment and Education	767,823	709,847	713,793	745,926
Roads and Transportation	4,767,489	5,034,748	3,424,984	3,900,660
Governmental Services to Residents	475,670	419,614	419,591	451,162
Administration	1,088,565	988,381	896,744	855,233
Non-Program Current	80,478	105,742	28,097	27,130
Debt Service	241,523	242,866	279,673	252,685
Capital Projects	1,458,493	1,163,223	139,202	816,779
<b>Total</b>	<b>\$13,506,671</b>	<b>\$13,349,440</b>	<b>10,268,073</b>	<b>11,286,813</b>

See accompanying independent auditor's report.

Schedule 5

Accrual		Basis			
2008	2007	2006	2005	2004	2003
3,923,669	3,894,317	3,733,047	3,539,313	3,608,073	2,926,754
442,135	453,163	383,787	389,263	345,675	375,962
17,915	17,213	14,797	14,190	261	0
19,218	22,041	19,738	17,152	15,291	17,093
4,731,502	4,609,589	4,335,191	4,287,056	4,808,141	3,600,775
47,818	49,094	47,705	41,479	38,800	38,196
766,261	699,946	581,167	575,013	586,045	607,605
291,628	311,459	245,570	181,556	125,310	175,541
91,996	208,452	119,583	48,906	63,215	175,689
10,332,142	10,265,274	9,480,585	9,093,928	9,590,811	7,917,615
2,234,702	2,134,146	1,967,122	1,735,753	1,683,355	1,707,894
744,482	685,546	625,689	577,077	610,516	627,654
1,069,718	985,661	914,771	929,935	839,397	897,363
692,411	660,724	487,539	436,917	450,422	505,595
3,174,767	3,452,833	3,393,828	3,085,781	2,645,446	2,935,233
377,071	335,089	443,417	321,632	289,005	268,630
875,240	803,685	752,959	714,501	692,475	765,681
17,915	17,213	14,797	16,190	627,685	86,576
280,383	286,239	287,438	279,527	275,772	276,372
97,793	451,859	845,786	636,410	432,796	891,803
9,564,482	9,812,995	9,733,346	8,733,723	8,546,869	8,962,801



**Lyon County**

**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***



# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

## **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 Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, 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 June 24, 2013. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Lyon County's internal control described in Part I of the accompanying Schedule of Findings as items 12-A, D, E, G, H, I, J, L, N and O 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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 12-B, C, F, K and M to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lyon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Lyon 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 Lyon County and other parties to whom Lyon County may report, including federal awarding agencies and pass-through entities, and 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 Lyon 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.

*De Noble & Company PC*

De Noble & Company PC  
Certified Public Accountants

June 24, 2013

**Lyon County**  
**Schedule of Findings**

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

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

**INTERNAL CONTROL DEFICIENCIES:**

12-A Segregation of Duties – 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 a lack of segregation of duties over financial transactions, record-keeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure that all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated. The billing rates should be verified by independent individuals.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

- h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.
- i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

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

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

12-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County’s accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County’s accounting systems.

Response – We will have each applicable office work on creating a written accounting procedures manual for their accounting system.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

- 12-C Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.
- Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.
- Response – We will review our prevention controls and take any necessary steps that are deemed needed at each location.
- Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.
- 12-D Capital Assets – There is not a yearly independent inventory taken of capital assets. Capital assets are not being marked for identification purposes.
- Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.
- Response – We will stress the need for security over capital assets until we can get your recommendation implemented.
- Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.
- 12-E Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.
- Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.
- Response – We will have each office work on rotating duties and cross-training.
- Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.
- 12-F Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

Recommendation – Per the County’s employee handbook, when using County credit cards for fueling, the vehicle’s identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this handbook policy is implemented.

Response – We will have the appropriate departments address this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

12-G Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- requiring the password to use multiple characters on the keyboard.
- requiring special passwords to change pay rates.

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will address these computer related issues with the individual offices and our software providers.

Conclusion – Response accepted. Please attempt to implement these recommendations.

12-H Payroll Issues – The County does not have any formal written employee performance evaluation process.

Payroll time sheets are not always being signed/formally approved by the employee or the employee’s supervisor and there are several employees that do not fill out time sheets.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

Additionally, we noted several payroll deductions which were not supported by documentation in the employee's personnel file.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have a signature line for the employee and the employee's direct supervisor that should be required to be completed before payroll is paid in order to attest to the accuracy of hours worked. Also, payroll deductions need to be supported by documentation in the employee's personnel file.

Response – The Board of Supervisors will consider the written employee evaluation issue. We will address the issue of time cards/sheets and the process to ensure that all payroll deductions are properly documented in the employee's personnel file.

Conclusion – Response accepted.

12-I Inventory Records – Inventory records did not always reconcile to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted. Please have each appropriate department start developing accurate inventory records.

12-J Project Reimbursements – The Engineer's office did not send invoices to cities in Lyon County for reimbursement due to the County for the Cities' share of completed infrastructure projects.

Recommendation – The County needs to develop procedures to ensure all project reimbursements and miscellaneous revenues are billed out timely and consistently, the billings are collected and that collections are deposited in a timely manner to the County by the Engineer's office.

Response – We will make sure the Engineer's office works on implementing this recommendation.

Conclusion – Response accepted.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

- 12-K Earned Comp Time – We noted a few exempt employees who received and used comp time during the year; however, accordingly to the employee policies/handbook, exempt employees are not eligible to earn comp time.
- Recommendation – An evaluation needs to be made to determine who falls under the exempt status and it needs to be clear in the employee handbook whether comp time is allowed to be earned by exempt employees in each department. The County needs to develop procedures to ensure all employee handbook policies are being followed.
- Response – We will attempt to have the departments comply with your recommendations.
- Conclusion – Response accepted.
- 12-L Authorized Bank Account Signer – The County Extension Council did not formally approve the addition of an employee as an authorized bank account signer.
- Recommendation – The County Extension Council needs to formally approve any additions, deletions or changes to the authorized bank account signer list.
- Response – The Extension Council will work on implementing your recommendation.
- Conclusion – Response accepted.
- 12-M Accrued Vacation Carryover – County Extension employees were allowed, without formal Extension Council approval, to carryover vacation time in excess of the amount of hours allowable per the employee handbook.
- Recommendation – Vacation time should only be allowed to be carried over in accordance with the employee handbook unless formal approval is given by the Extension Council. This approval should be documented in the Extension Council’s minutes.
- Response – We will implement this recommendation.
- Conclusion – Response accepted
- 12-N Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County’ financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

12-O Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County’s expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management also needs to communicate the County’s expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted. Please do address our recommendation.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

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

12-1      Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amount budgeted for any function; however, a department’s appropriation was not properly approved as being increased before actual disbursements exceeded the amount appropriated.

Recommendation – Increases to appropriations should have been approved in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the amount appropriated for a department.

Response – County personnel will monitor the disbursements and increase appropriations when needed in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

12-2      Questionable Expenditures – Certain expenditures were noted that 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. These expenditures are detailed as follows:

We noted several meal expense reimbursements to employees that did not have the proper support retained, as well as one reimbursement which had no receipt at all. The County also purchased a retirement gift for an employee, but did not have the public purpose for the expenditure properly documented.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All disbursements, including credit card charges/employee meal charges and gifts, should be supported by an actual receipt/invoice that supports the charge in detail, and be properly documented as to the public purpose of the expenditure.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

12-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 12-2” for a possible related comment.

12-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit’s Husband is a Shareholder, Auditor’s Office Clerk	Custodial services	\$ 10,833
Todd Reinke, Owner of Todd’s True Value, Conservation Board Member	Supplies	779
Eric Borman Construction, Amy Borman’s Husband is the Owner, EMT	Construction	1,980
C & A Snow Removal, Roberta Flier’s Husband is the Owner, Dispatcher	Snow removal	1,605
Corey Heimensen, Husband of Heather Heimensen, Crime Victim Witness Coordinator	Rent (Veterans Affairs)	1,800

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Todd’s True Value do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc., Eric Borman Construction, and C & A Snow Removal do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding. The transactions with Corey Heimensen do not appear to represent conflicts of interest due to the Veterans Affairs director is employed by Corey Heimensen and conducts Veterans Affairs business at Mr. Heimensen’s office.

12-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

12-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

12-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

12-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

12-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

The Extension has adopted a written policy where full time employees can get up to \$2,000 annually towards health insurance but this policy does not authorize any medical spending plan reimbursements. The Extension actually allows for employees to get up to the \$2,000 maximum by using a combination of health insurance premiums and medical spending plan reimbursements.

Recommendations – The Extension should ensure that personnel policies and actual procedures being followed correspond. The Extension needs to approve a formal flex medical spending plan if plans are to continue the current practice.

Response – We will implement your recommendations.

Conclusion – Response accepted.

12-10 Internal Revenue Service Reporting Compliance – The County did not report on employees’ W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of this fringe benefit for each employee and include this taxable value on the employee’s W-2 income.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

Response – We will evaluate this compliance issue.

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

- 12-11 Sheriff's Deputies Overtime – The County is not correctly calculating overtime and comp time for the Sheriff's Office deputies. The County should be following the Fair Labor Standards Act 91600 Section 207(k), which requires 171 hours in a 28 day work period before comp or overtime is earned.

Recommendation – The County should change the payroll procedures to correctly calculate overtime for Sheriff's Office deputies to be compliance with the Fair Labor Standards Act.

Response – We have subsequently changed the procedures to correctly calculate overtime for Sheriff's Office deputies.

Conclusion – Response accepted.

- 12-12 Compensation Board Minutes – The Compensation Board minutes did not have approval of the prior meeting's minutes.

Recommendation – The Compensation Board minutes should indicate approval of the prior meeting's minutes.

Response – We will attempt to have the Compensation Board comply with your recommendation.

Conclusion – Response accepted.

- 12-13 Emergency Management and E911 Board Minutes – The Emergency Management and E911 Board minutes do not always report in the minutes that claims issued since the last meeting were approved and that the prior minutes are proper as printed. Additionally, when claims are approved in the minutes, the listing of the claims approved is not a part of the minutes to verify accuracy and completeness.

Recommendation – The Emergency Management and E911 Board minutes should document formal approval of all paid claims and the prior meeting's minutes should be approved in the text of the minutes at the next meeting to verify accuracy of the minutes.

Response – We will attempt to have these Boards comply with your recommendations.

Conclusion – Response accepted.

**Lyon County**  
**Schedule of Findings**  
**Year Ended June 30, 2012**

12-14 TIF Certification – The Auditor’s Office is responsible for monitoring TIF development agreements. We noted one company which is not submitting the semi-annual certification documentation demonstrating that all covenants are being performed in compliance with the TIF development agreement. Additionally, the County improperly paid \$1,670 more in TIF proceeds to a city than the amount of certified debt during fiscal year 2012.

Recommendation – The County should implement procedures to ensure that all requirements of TIF development agreements are being met and that the spreadsheets used to track certified debt are kept up-to-date and accurate. The County should seek legal counsel as to how to handle the overpayment of TIF proceeds to a city.

Response – We will implement this recommendation/discuss this matter with the County Attorney.

Conclusion – Response accepted.

12-15 Deficit Fund Balances – There was a deficit fund balance of \$399 found in the Assessment – Special Appraisers Fund from December 30, 2011 until January 9, 2012, which is in violation of Iowa Code 331.476. Additionally, the County Tax Increment Financing Fund had a deficit fund balance at June 30, 2012 of \$235,775.

Recommendation – The County should implement procedures to monitor fund balances in order to avoid deficit fund balances.

Response – We will implement this recommendation. TIF collections are going to be used to eliminate the County Tax Increment Financing Fund deficit.

Conclusion – Response accepted.

12-16 Sheriffs Asset Forfeiture Fund – The County is required to deposit 90% of forfeited property into the Sheriffs Asset Forfeiture Fund to be specifically used for investigations. We noted that this portion of the forfeited property was being held at the Sheriff’s office in the form of cash instead of being deposited into the Sheriffs Asset Forfeiture Fund.

Recommendation – The County, particularly the County Attorney and Sheriff’s offices, should implement procedures to ensure that forfeited assets are properly accounted for and timely deposited to the Sheriff’s Asset Forfeiture Fund.

Response – We will work on implementing your recommendation.

Conclusion – Response accepted.

**Lyon County  
Schedule of Findings  
Year Ended June 30, 2012**

12-17 Auditor's Duties – Under Iowa Code 331.508 the County auditor shall keep a record book of the names and addresses of persons receiving veteran's assistance. However, the County Auditor does not maintain these records as written under Iowa Code 331.508 based on their interpretation that the requirements under Iowa Code 35B.10 governing Veteran's Affairs are being followed and overrules the wording in Iowa Code 331.508.

Recommendation – The County auditor should consult legal counsel regarding the interpretation of this statute and work with the Veteran's Affairs to ensure the Iowa Code requirements are being properly followed.

Response – We will work on implementing your recommendation.

Conclusion – Response accepted.

12-18 Capital Projects Bidding Requirements – Competitive bids must be accepted and a public hearing must be held prior to awarding a construction contract for any public improvements, other than road, bridge and culvert projects, with an estimated total cost in excess of the competitive bid threshold established by the Code of Iowa. During the fiscal year, the County awarded two construction contracts that exceeded the bid threshold established without holding a public hearing.

Recommendation – A public hearing must be held prior to awarding construction contracts for any public improvements, other than road, bridge and culvert projects, with an estimated total cost in excess of the competitive bid threshold established by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

**Lyon County**

**Staff**

This audit was performed by:

David De Noble, CPA, Senior Auditor

Carmen Austin, CPA, Senior Auditor

Kayla Reck, Assistant Auditor

Nathan Hoekstra, Assistant Auditor

De Noble & Company PC  
Certified Public Accountants



# DE NOBLE & COMPANY PC

Certified Public Accountants

## MEMBERS

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

June 24, 2013

To the Board of Supervisors and the Auditor's Office:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 31, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lyon County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities and the General Fund financial statements were the estimated useful lives and salvage values for capital assets and the ability of the County to collect jail and probation fees and ambulance service receivables.

Management's estimate of the estimated useful lives and salvage values for capital assets is based on knowledge of management and personnel and the ability of the County to collect jail/probation fees and ambulance service receivables is based on historical collection ability for jail/probation fees and ambulance charges. We evaluated the key factors and assumptions used to develop the estimated useful lives and salvage values for capital assets and the ability of the County to collect jail/probation fee and ambulance service receivables in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures, in our judgment, indicate matters that could have a significant effect on Lyon County's financial reporting process. The accounting records were reporting material amounts of assets, liabilities, fund balances/net assets, receipts/revenues and disbursements/expenditures/expenses improperly. Adjustments were also needed to properly convert the cash basis records to the modified accrual basis and the full accrual basis in order to facilitate the proper reporting of the financial statements. Accounting adjustments to properly record the assets, liabilities, fund balances/net assets, receipts/revenues and disbursements/expenditures/ expenses and to convert the cash basis records to the modified accrual basis were proposed by our Firm, approved by County's management and recorded by the County's Deputy Auditor.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 24, 2013. A copy of the management representation letter is available for review in the Auditor's Office or by contacting our office.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lyon County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The County requested the Office of Auditor of State to perform a special investigation of the Lyon County Engineer's Office as a result of concerns identified of alleged misappropriation of funds by employees. Copies of the Auditor of State's special investigation report were filed with the Lyon County Attorney's Office, the Osceola County Attorney's Office, the Attorney General's Office, the Lyon County Sheriff's Office and the Iowa Division of Criminal Investigation.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Lyon County must get our written permission to use our financial statements and independent audit report in any other document. We have no responsibility for other information in any documents containing Lyon County's financial statements and independent audit report. We do not have any obligation to perform any procedures to corroborate any other information contained in these documents.

This information is intended solely for the use of the Board of Supervisors and the Auditor's Office of Lyon County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



De Noble & Company PC  
Certified Public Accountants