

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

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2013

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

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

**OFFICIALS**

**(Before January 2013)**

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

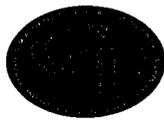
Cindy Gosse..... County Auditor..... January 2013  
Judy Harland..... County Treasurer ..... January 2015  
Diane Curry..... County Recorder ..... January 2015  
Bill Wolfgram..... County Sheriff ..... January 2013  
Shawn Harden..... County Attorney..... January 2015  
Brad Harms..... County Assessor.....Appointed

**(After January 2014)**

Ralph Kremer..... Board of Supervisors ..... January 2015  
Gary Gissel ..... Board of Supervisors ..... January 2015  
Ellen Gaffney..... Board of Supervisors ..... January 2017

Cindy Gosse..... County Auditor..... January 2017  
Judy Harland\*..... County Treasurer ..... January 2015  
Diane Curry..... County Recorder ..... January 2015  
Bill Wolfgram..... County Sheriff ..... January 2017  
Shawn Harden..... County Attorney..... January 2015  
Brad Harms..... County Assessor.....Appointed

\*Judy Harland retired effective January 15, 2013. Amy Wright was appointed effective February 11, 2013.



## **Independent Auditor's Report**

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To the Officials of Buchanan County  
Independence, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 – 10 and 40 – 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplemental information included in Schedules 1 to 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of Buchanan County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buchanan County, Iowa's internal control over financial reporting and compliance.

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
April 28, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Buchanan County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 0.52%, or approximately \$91,066, from fiscal 2012 to fiscal 2013. Property tax increased approximately \$269,719, charges for services decreased \$800,061, operating grants decreased by \$892,110, and capital grants and contributions increased approximately \$1,226,199.
- Program expenses were 12.80% or approximately \$2,102,635, less in fiscal 2013 than in fiscal 2012. Roads and Transportation expense decreased approximately \$614,943 while Mental Health expense decreased \$2,028,785.
- The County's net position increased 10.05% or approximately \$3,186,156, from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Buchanan County as a whole and present an overall view of the County's finances.

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

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

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

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

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Buchanan County's combined net position increased from a year ago, from \$31.703 million to \$34.889 million. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2013	2012
Current and Other Assets	\$18,968	\$19,229
Capital Assets (Net of Depreciation)	33,203	30,611
Total Assets	52,171	49,840
Long-Term Debt Outstanding	9,057	9,131
Other Liabilities	8,225	9,006
Total Liabilities	17,282	18,137
Net Position:		
Net Investment in Capital Assets	28,487	26,443
Restricted	8,460	6,872
Unrestricted	(2,058)	(1,612)
Total Net Position	\$34,889	\$31,703

Net position of Buchanan County's governmental activities increased 10.05% (\$34.889 million compared to \$31.703 million). The largest portion of the County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$(1,612,110) at June 30, 2012 to \$(2,057,682) at the end of this year, a substantial decrease.

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

	Year ended June 30, 2013	Year ended June 30, 2012
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,464	\$ 2,264
Operating Grants, Contributions and Restricted Interest	4,559	5,451
Capital Grants, Contributions and Restricted Interest	2,549	1,323
General Revenues:		
Property Tax	7,296	7,031
Penalty and Interest on Property Tax	64	60
State Tax Credits	343	280
Local Option Sales Tax	896	873
Unrestricted Investment Earning	51	13
Other General Revenues	286	122
<b>Total Revenues</b>	<b>17,508</b>	<b>17,417</b>
Program Expenses:		
Public Safety and Legal Services	3,242	2,983
Physical Health and Social Services	564	515
Mental Health	1,251	3,280
County Environment and Education	1,220	629
Roads and Transportation	5,340	5,955
Governmental Services to Residents	729	649
Administration	1,453	1,440
Non-Program	217	613
Interest on Long-Term Debt	306	360
<b>Total Expenses</b>	<b>14,322</b>	<b>16,424</b>
Increase in Net Position	3,186	993
Net Position Beginning of Year	31,703	30,710
<b>Net Position End of Year</b>	<b>\$34,889</b>	<b>\$31,703</b>

The results of governmental activities for the year resulted in Buchanan County's net position increasing by approximately \$3,186,156. Revenues for governmental activities increased by approximately \$91,066 from the prior year, with operating and capital grant revenue up from the prior year by approximately \$334,089.

The cost of all governmental activities this year was \$14,321,560 compared to \$16,424,195 last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$5,749,627 because some of the cost was paid by those directly benefiting from the programs \$1,463,982 or by other governments and organizations that subsidized certain programs with grants and contributions \$7,107,951. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in 2013 from approximately \$9,037,905 to \$8,571,933. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$7.7 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$10,670,163, an increase of \$848,225 from last year's total of \$9,821,938. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased slightly and expenditures also increased when compared to the prior year. The ending fund balance showed a slight increase of \$29,469 from the prior year to \$2,359,629.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,205,798. The Mental Health Fund balance at year end increased by approximately \$721,560 from the prior year.
- The Rural Services Fund revenues increased slightly while expenditures decreased over the prior year. The ending fund balance showed an increase of \$120,415 from the prior year to \$596,909.
- Secondary Roads Fund expenditures decreased by approximately \$625,607 over the prior year. The Secondary Roads Fund ending balance increased approximately \$838,025.
- The Debt Service Fund showed a decrease in fund balance of \$92,120 to end the fiscal year with a balance of \$2,980,827.

## BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget two times. The amendments were made on September 10, 2012 and May 28, 2013. Amendments were made to increase budgeted expenditures in several functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Buchanan County had approximately \$48,522,083 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,266,613 or 7.22% over last year.

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Capital Assets of Governmental Activities at Year End  
(Expressed in Thousands)

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	June 30,	
	2013	2012
Land	\$ 2,608	\$ 2,452
Buildings and Improvements	8,857	9,157
Equipment and Vehicles	7,866	7,702
Infrastructure	26,973	25,483
Construction in Process	2,218	462
<b>Total</b>	<b>\$48,522</b>	<b>\$45,256</b>
This year's major additions include		
Infrastructure	\$ 1,490	
Conservation Land	156	
Secondary Road Equipment	342	
Sheriff Vehicles	72	
Election Equipment	96	
<b>Total</b>	<b>\$ 2,156</b>	

The County had depreciation expense of \$1,423,315 in fiscal year 2013 and total accumulated depreciation of \$15,319,208 at June 30, 2013.

The County's fiscal year 2013 capital projects budget included \$1,982,350 for capital projects, principally for the upgrading of secondary roads and bridges and construction for the Narrowband Radio Tower Project. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2013 Buchanan County has approximately \$8,606,141 in general obligation notes and other debt outstanding compared to approximately \$8,795,379 at June 30, 2012, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2013	2012
General Obligation Notes	\$ 84	\$ 96
General Obligation Bonds	8,145	8,405
Installment Purchases	86	0
Drainage Warrants	0	15
Compensated Absences	291	279
 Total	 <u>\$8,606</u>	 <u>\$8,795</u>

Buchanan County has general obligation bonds outstanding at June 30, 2013 of \$8,145,000. During 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds with \$3,105,000 to be used to refund the outstanding Jail Bonds which will be callable on June 1, 2017. This refunding was undertaken to reduce total debt service payments by \$154,685 and to obtain an economic gain of \$122,777. The bonds will be paid with property tax revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$80 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Buchanan County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various county services. One of those factors is the economy. Unemployment in the County stands at 5.4% versus 5.9% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. With the increase in valuations both urban and rural levies decreased slightly. However, rural tax dollars increased again this year due to public safety and other program expenditures.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Buchanan County Auditor's Office, 210 – 5<sup>th</sup> Avenue NE, City of Independence, Iowa.

**BUCHANAN COUNTY  
Independence, Iowa**

**STATEMENT OF NET POSITION  
June 30, 2013**

	Governmental Activities
<b>ASSETS</b>	
Cash and Pooled Investments	\$ 7,794,465
Receivables:	
Property Tax:	
Delinquent	6,187
Succeeding Year	7,042,266
Interest and Penalty On Property Tax	2,120
Accounts	57,458
Accrued Interest	1,170
Due From Other Governments	603,234
Resources Held in Escrow for Bond Refunding	3,009,585
Inventories	377,804
Prepaid Insurance	73,370
Capital Assets (Net of Accumulated Depreciation/Amortization)	33,202,875
<b>TOTAL ASSETS</b>	<b>52,170,534</b>
<b>LIABILITIES</b>	
Accounts Payable	1,063,196
Accrued Interest Payable	24,484
Salaries and Benefits Payable	68,502
Due To Other Governments	26,807
Deferred Revenue:	
Succeeding Year Property Tax	7,042,266
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	8,848
General Obligation Bonds	275,000
Installment Purchase	43,030
Compensated Absences	291,575
Portion Due Or Payable After One Year:	
General Obligation Notes	74,659
General Obligation Bonds	7,870,000
Installment Purchase	43,029
Net OPEB Liability	450,446
<b>TOTAL LIABILITIES</b>	<b>17,281,842</b>
<b>NET POSITION</b>	
Net Invested in Capital Assets	28,487,391
Restricted For:	
Supplemental Levy Purposes	290,405
Mental Health Purposes	1,328,733
Rural Services Purposes	596,440
Secondary Roads Purposes	2,863,456
Debt Service	2,956,667
Other Purposes	423,282
Unrestricted	(2,057,682)
<b>TOTAL NET POSITION</b>	<b>\$34,888,692</b>

See Notes To Financial Statements

**BUCHANAN COUNTY  
Independence, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Public Safety and Legal Services	\$ 3,242,100	\$ 543,456	\$ 53,026	\$ 0	\$ (2,645,618)
Physical Health and Social Services	564,245	35,476	184,344	0	(344,425)
Mental Health	1,250,829	170	606,832	0	(643,827)
County Environment and Education	1,219,742	33,846	30,719	136,700	(1,018,477)
Roads and Transportation	5,339,838	118,597	3,684,179	2,412,118	875,056
Governmental Services to Residents	728,559	362,258	33	0	(366,268)
Administration	1,453,056	220,389	0	0	(1,232,667)
Non-Program	217,393	149,790	0	0	(67,603)
Interest on Long-Term Debt	305,798	0	0	0	(305,798)
<b>TOTAL</b>	<b>\$14,321,560</b>	<b>\$1,463,982</b>	<b>\$4,559,133</b>	<b>\$2,548,818</b>	<b>(5,749,627)</b>
<b>GENERAL REVENUES:</b>					
Property and Other County Tax Levied For:					
General Purposes					6,829,144
Debt Service					467,192
Penalty and Interest on Property Tax					63,589
State Tax Credits					343,286
Local Option Sales Tax					895,623
Unrestricted Investment Earnings					51,445
Miscellaneous					204,656
Gain on Disposal of Capital Assets					80,848
<b>TOTAL GENERAL REVENUES</b>					<b>8,935,783</b>
<b>CHANGE IN NET POSITION</b>					<b>3,186,156</b>
<b>NET POSITION BEGINNING OF YEAR</b>					<b>31,702,536</b>
<b>NET POSITION END OF YEAR</b>					<b>\$34,888,692</b>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
Independence, Iowa

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General	Special Revenue Mental Health
<b>ASSETS</b>		
Cash and Pooled Investments	\$2,443,356	\$1,296,946
Receivables:		
Property Tax:		
Delinquent	3,575	1,128
Succeeding Year	4,099,518	939,361
Interest and Penalty on Property Tax	2,120	0
Accounts	25,421	0
Accrued Interest	1,139	0
Due From Other Governments	39,875	142,328
Resources Held in Escrow for Bond Refunding	0	0
Prepaid Insurance	50,229	442
Inventories	0	0
<b>TOTAL ASSETS</b>	<b>\$6,665,233</b>	<b>\$2,380,205</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 169,256	\$ 89,621
Salaries and Benefits Payable	28,692	4,115
Due To Other Governments	5,726	17,933
Deferred Revenue:		
Succeeding Year Property Tax	4,099,518	939,361
Other	2,412	861
<b>Total Liabilities</b>	<b>4,305,604</b>	<b>1,051,891</b>
Fund Balances:		
Nonspendable:		
Inventories	0	0
Prepaid Insurance	50,229	442
Restricted For:		
Supplemental Levy Purposes	289,891	0
Mental Health Purposes	0	1,327,872
Rural Services Purposes	0	0
Secondary Roads Purposes	0	0
Drainage Warrants		
Conservation Land Acquisition Purposes	233,598	0
Debt Service	0	0
Capital Projects	0	0
Other Purposes	0	0
Assigned	290,684	0
Unassigned	1,495,227	0
<b>Total Fund Balances</b>	<b>2,359,629</b>	<b>1,328,314</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$6,665,233</b>	<b>\$2,380,205</b>

See Notes To Financial Statements

Exhibit C

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 473,568	\$2,668,391	\$ (28,858)	\$392,770	\$ 7,246,173
1,060	0	424	0	6,187
1,648,215	0	355,172	0	7,042,266
0	0	0	0	2,120
2,025	29,619	0	393	57,458
0	0	0	31	1,170
144,227	276,804	0	0	603,234
0	0	3,009,585	0	3,009,585
836	21,863	0	0	73,370
0	377,804	0	0	377,804
<u>\$2,269,931</u>	<u>\$3,374,481</u>	<u>\$3,336,323</u>	<u>\$393,194</u>	<u>\$18,419,367</u>
\$ 11,751	\$ 337,037	\$ 0	\$ 0	\$ 607,665
12,539	23,156	0	0	68,502
150	2,998	0	0	26,807
1,648,215	0	355,172	0	7,042,266
367	0	324	0	3,964
<u>1,673,022</u>	<u>363,191</u>	<u>355,496</u>	<u>0</u>	<u>7,749,204</u>
0	377,804	0	0	377,804
836	21,863	0	0	73,370
0	0	0	0	289,891
0	0	0	0	1,327,872
596,073	0	0	0	596,073
0	2,611,623	0	0	2,611,623
0	0	0	1,280	1,280
0	0	0	0	233,598
0	0	2,980,827	0	2,980,827
0	0	0	276,880	276,880
0	0	0	115,034	115,034
0	0	0	0	290,684
0	0	0	0	1,495,227
<u>596,909</u>	<u>3,011,290</u>	<u>2,980,827</u>	<u>393,194</u>	<u>10,670,163</u>
<u>\$2,269,931</u>	<u>\$3,374,481</u>	<u>\$3,336,323</u>	<u>\$393,194</u>	<u>\$18,419,367</u>

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

**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2013

**Total Governmental Fund Balances (Page 14)** \$10,670,163

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$48,522,083 and the accumulated depreciation/amortization is \$15,319,208. 33,202,875

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 3,964

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 92,761

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (9,081,071)

**Net Position of Governmental Activities (Page 11)** \$34,888,692

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

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

	General	Special Revenue Mental Health
<b>REVENUES:</b>		
Property and Other County Tax	\$3,925,130	\$1,237,408
Local Option Sales Tax	0	0
Interest and Penalty on Property Tax	63,589	0
Intergovernmental	619,052	665,637
Licenses and Permits	150	0
Charges for Service	647,687	0
Use of Money and Property	52,612	0
Miscellaneous	82,845	24,313
Total Revenues	5,391,065	1,927,358
<b>EXPENDITURES:</b>		
Operating:		
Public Safety and Legal Services	2,065,287	0
Physical Health and Social Services	501,540	0
Mental Health	0	1,205,798
County Environment and Education	647,359	0
Roads and Transportation	0	0
Governmental Services to Residents	615,549	0
Administration	1,357,158	0
Non-Program	46,568	0
Debt Service	0	0
Capital Projects	154,898	0
Total Expenditures	5,388,359	1,205,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,706	721,560
Other Financing Sources (Uses):		
Sale of Capital Assets	80,851	0
Transfers In	20,912	0
Transfers Out	(75,000)	0
Installment Purchase	0	0
Total Other Financing Sources (Uses)	26,763	0
Net Change in Fund Balances	29,469	721,560
Fund Balances Beginning of Year	2,330,160	606,754
Decrease in Reserve For Inventories	0	0
Fund Balances End of Year	\$2,359,629	\$1,328,314

See Notes To Financial Statements

Exhibit E

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 1,669,579	\$ 0	\$ 467,306	\$ 0	\$ 7,299,423
895,623	0	0	0	895,623
0	0	0	0	63,589
206,273	3,812,497	21,671	11,892	5,337,022
25,511	14,044	0	0	39,705
3,225	0	0	5,117	656,029
168,180	0	36,196	227	257,215
0	201,004	0	5,318	313,480
2,968,391	4,027,545	525,173	22,554	14,862,086
876,969	0	0	0	2,942,256
41,096	0	0	0	542,636
0	0	0	0	1,205,798
529,058	0	0	0	1,176,417
0	4,216,840	0	0	4,216,840
3,376	0	0	2,319	621,244
0	0	0	0	1,357,158
0	0	0	15,355	61,923
0	0	746,382	4,000	750,382
0	408,441	0	749,092	1,312,431
1,450,499	4,625,281	746,382	770,766	14,187,085
1,517,892	(597,736)	(221,209)	(748,212)	675,001
0	0	0	0	80,851
0	1,472,477	0	0	1,493,389
(1,397,477)	0	0	(20,912)	(1,493,389)
0	0	129,089	0	129,089
(1,397,477)	1,472,477	129,089	(20,912)	209,940
120,415	874,741	(92,120)	(769,124)	884,941
476,494	2,173,265	3,072,947	1,162,318	9,821,938
0	(36,716)	0	0	(36,716)
\$ 596,909	\$3,011,290	\$2,980,827	\$ 393,194	\$10,670,163

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2013

**Net Change in Fund Balances - Total Governmental Funds (Page 17)** \$ 884,941

*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 by depreciation/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$ 1,594,947	
Capital Assets Contributed by the Iowa Department of Transportation	2,283,798	
Capital Assets Contributed by Others	136,700	
Depreciation/Amortization Expense	<u>(1,423,315)</u>	2,592,130

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (3)

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

Property Tax	(3,087)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Position. Current year repayments exceeded issuances as follows:

Issued	(129,089)	
Repaid	<u>330,647</u>	201,558

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	(12,320)	
Other Postemployment Benefits	(114,947)	
Interest on Long-Term Debt	<u>8,465</u>	(118,802)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net position is exhausted. (36,716)

The Internal Service Fund is used by management to charge the costs of health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (333,865)

**Change in Net Position of Governmental Activities (Page 12)** \$3,186,156

See Notes to Financial Statements

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

June 30, 2013

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash and Pooled Investments	\$548,292
<hr/>	
<b>LIABILITIES</b>	
Accounts Payable	455,531
<hr/>	
<b>NET POSITION</b>	
Unrestricted	\$ 92,761
<hr/>	

See Notes To Financial Statements

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

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
**PROPRIETARY FUND**  
Year Ended June 30, 2013

	Internal Service Employee Group Health
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,725,419
Reimbursements From Employees	91,681
Miscellaneous	45,508
Total Operating Revenues	<u>1,862,608</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	1,854,636
Insurance Premiums	315,148
Administrative Fees	29,588
Total Operating Expenses	<u>2,199,372</u>
Operating Loss	(336,764)
<b>NON-OPERATING REVENUES:</b>	
Interest on Investments	<u>2,899</u>
Net Loss	(333,865)
Net Position Beginning of Year	<u>426,626</u>
Net Position End of Year	<u>\$ 92,761</u>

See Notes To Financial Statements

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

STATEMENT OF CASH FLOWS  
**PROPRIETARY FUND**  
Year Ended June 30, 2013

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$ 1,725,419
Cash Received From Employees and Others	137,189
Cash Payments To Suppliers For Services	(1,951,405)
Net Cash Used in Operating Activities	<u>(88,797)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>2,899</u>
Net Decrease in Cash	(85,898)
Cash Beginning of Year	<u>634,190</u>
Cash End of Year	<u>\$ 548,292</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating Loss	\$ (336,764)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Increase In Accounts Payable	<u>247,967</u>
Net Cash Used in Operating Activities	<u>\$ (88,797)</u>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2013**ASSETS**

Cash and Pooled Investments:	
County Treasurer	\$ 1,144,552
Other County Officials	50,043
Receivables:	
Property Tax:	
Delinquent	4,701
Succeeding Year	21,080,040
Accounts	19,030
Accrued Interest	79
<b>TOTAL ASSETS</b>	<b>22,298,445</b>

**LIABILITIES**

Accounts Payable	5,767
Due To Other Governments	22,199,420
Trusts Payable	86,285
Compensated Absences	6,973
<b>TOTAL LIABILITIES</b>	<b>22,298,445</b>

<b>NET POSITION</b>	<b>\$ 0</b>
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**BUCHANAN COUNTY**  
**Independence, Iowa**

## **Notes to Financial Statements**

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

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

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

#### **A. REPORTING ENTITY**

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

#### Special Revenue

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

Additionally, the County reports the following funds:

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

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

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

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

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.

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

# Notes to Financial Statements (Continued)

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

### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded amounts budgeted in the Debt Service function and disbursements in certain departments exceeded the amount appropriated.

## Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of \$5,336,074, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

## Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013, is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: REAP	\$ 10,350
	Capital Projects	10,562
Special Revenue: Secondary Roads	General Basic Special Revenue: Rural Services	75,000
		<u>1,397,477</u>
Total		<u>\$1,493,389</u>

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

## Notes to Financial Statements (Continued)

### Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,451,560	\$ 156,471	\$ 0	\$ 2,608,031
Construction in Process	461,536	3,359,773	1,603,072	2,218,237
Total Capital Assets Not Being Depreciated	2,913,096	3,516,244	1,603,072	4,826,268
Capital Assets Being Depreciated:				
Buildings and Improvements	9,156,909	113,059	412,526	8,857,442
Machinery and Equipment	6,619,245	438,078	300,102	6,757,221
Vehicles	1,083,064	113,262	88,343	1,107,983
Infrastructure	25,483,156	1,490,013	0	26,973,169
Total Capital Assets Being Depreciated	42,342,374	2,154,412	800,971	43,695,815
Less Accumulated Depreciation for:				
Buildings and Improvements	2,418,908	179,648	412,527	2,186,029
Machinery and Equipment	4,516,926	359,694	252,873	4,623,747
Vehicles	706,048	115,137	83,430	737,755
Infrastructure	7,002,841	768,836	0	7,771,677
Total Accumulated Depreciation	14,644,723	1,423,315	748,830	15,319,208
Total Capital Assets Being Depreciated, Net	27,697,651	731,097	52,141	28,376,607
Governmental Activities Capital Assets, Net	\$30,610,747	\$4,247,341	\$1,655,213	\$33,202,875

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 173,676
Mental Health	7,813
County Environment and Education	59,882
Roads and Transportation	1,121,061
Governmental Services to Residents	10,087
Administration	50,796
Total Depreciation Expense – Governmental Activities	<u>\$1,423,315</u>

## Notes to Financial Statements (Continued)

### Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 5,726
Special Revenue:		
Mental Health	Services	17,933
Rural Services	Services	150
Secondary Roads	Services	2,998
Total for Governmental Funds		<u>\$ 26,807</u>
Agency:		
Agricultural Extension	Collections	\$ 199,130
Assessor		510,922
Schools		13,947,067
Community Colleges		867,674
Corporations		4,781,278
Auto License and Use Tax		483,052
All Other		1,410,297
Total for Agency Funds		<u>\$22,199,420</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	General Obligation Notes and Bonds	Conservation Notes	Fire Equipment Notes	Voting Equipment Contract	Compensated Absences	Drainage	Total
Balance Beginning of Year	\$8,405,000	\$48,000	\$48,000	\$ 0	\$279,255	\$15,124	\$8,795,379
Increases	0	0	0	129,089	291,575	0	420,664
Decreases	260,000	4,000	8,493	43,030	279,255	15,124	609,902
Balance End of Year	<u>\$8,145,000</u>	<u>\$44,000</u>	<u>\$39,507</u>	<u>\$ 86,059</u>	<u>\$291,575</u>	<u>\$ 0</u>	<u>\$8,606,141</u>
Due Within One Year	<u>\$ 275,000</u>	<u>\$ 4,000</u>	<u>\$ 4,848</u>	<u>\$ 43,030</u>	<u>\$291,575</u>	<u>\$ 0</u>	<u>\$ 618,453</u>

### Notes and Bonds Payable

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

## Notes to Financial Statements (Continued)

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

#### Notes and Bonds Payable (Continued)

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

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

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

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	4.85%	\$ 190,000	\$183,187	\$ 373,187
2015	4.85%	195,000	173,973	368,973
2016	4.85%	205,000	164,515	369,515
2017	4.90%	3,055,000	154,573	3,209,573
		<u>\$3,645,000</u>	<u>\$676,248</u>	<u>\$4,321,248</u>

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	2.00%	\$ 85,000	\$ 106,440	\$ 191,440
2015	2.00%	85,000	104,740	189,740
2016	2.00%	85,000	103,040	188,040
2017	2.00%	90,000	101,340	191,340
2018	2.00%	370,000	99,540	469,540
2019-2023	2.00-2.30%	2,005,000	379,170	2,384,170
2024-2027	2.40-2.90%	1,780,000	125,230	1,905,230
		<u>\$4,500,000</u>	<u>\$1,019,500</u>	<u>\$5,519,500</u>

## Notes to Financial Statements (Continued)

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

#### Conservation Contract

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

<u>Year Ending June 30,</u>	<u>Principal</u>
2014	\$ 4,000
2015	4,000
2016	4,000
2017	4,000
2018	4,000
2019-2023	20,000
2024	4,000
	<u>\$44,000</u>

#### Township Fire Equipment Notes

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

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.38%	\$ 1,899	\$ 524	\$ 2,423
2015	4.38	3,935	912	4,847
2016	4.38	4,112	735	4,847
2017	4.38	4,294	553	4,847
2018	4.38	4,489	358	4,847
2019	4.38	4,677	156	4,833
		<u>\$23,406</u>	<u>\$3,238</u>	<u>\$26,644</u>

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

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.30%	\$ 2,949	\$ 670	\$ 3,619
2015	4.30	3,079	540	3,619
2016	4.30	3,215	404	3,619
2017	4.30	3,356	263	3,619
2018	4.30	3,502	115	3,617
		<u>\$16,101</u>	<u>\$1,992</u>	<u>\$18,093</u>

## Notes to Financial Statements (Continued)

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

#### Voting Equipment Contract

During the fiscal year ended June 30, 2013, the County entered into a contract for the purchase of voting equipment. The contract was for \$129,089 to be paid in annual installments over three years. The contract is free of interest. A summary of the contract payments is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2014	\$43,030
2015	43,029
	<u>\$86,059</u>

### Note 7: Pension and Retirement Benefits

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

Most plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$422,584, \$405,355, and \$332,457, respectively, equal to the required contributions for each year.

### Note 8: Risk Management

Buchanan County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$149,577.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively with an additional \$230,000 coverage on the Treasurer. 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.

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

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered by Auxiant. Claims of the employees are submitted to Auxiant who, in turn, bills the plan funds for the necessary amount. The plan is covered by reinsurance to protect the stop-loss of 125% of expected claims.

## Notes to Financial Statements (Continued)

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### Note 9: Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Auxiant, as the plan administrator, makes monthly payments of service fees and claims processed from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$1,725,419.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$455,531, 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 \$92,761 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund total net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. 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 claims beginning of year	\$ 207,564
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,854,636
Payments on claims during fiscal year	<u>1,606,669</u>
Unpaid claims end of year	<u>\$ 455,531</u>

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 107 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

## Notes to Financial Statements (Continued)

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$125,767
Interest on Net OPEB Obligation	8,387
Adjustment to Annual Required Contribution	(13,781)
Annual OPEB Cost (Expense)	<u>120,373</u>
Contributions Made	<u>(5,426)</u>
Increase in Net OPEB Obligation	114,947
Net OPEB Obligation Beginning of the Year	<u>335,499</u>
Net OPEB Obligation End of the Year	<u><u>\$450,446</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2013.

For the fiscal year 2013, the County contributed \$5,426 to the medical plan. Plan members receiving benefits contributed \$13,994, or 61.23% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$112,214	2.83%	\$212,752
2012	126,867	3.25	335,499
2013	120,373	4.51	450,446

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,265,393, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$1,265,393. The covered payroll (annual payroll of active employees covered by the plan) was \$4,317,722, and the ratio of the UAAL to the covered payroll was 29.31%. As of June 30, 2013, there were no trust fund assets.

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

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

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

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

As of the July 1, 2012 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$806 for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

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

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

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

The County had business transactions between the County and County officials during the year ended June 30, 2013.

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

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2013, disbursements exceeded amounts budgeted in the Debt Service function and disbursements in certain departments exceeded the amount appropriated.

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

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

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2013 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

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

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### **Note 14: 28E Agreement (Continued)**

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

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

The County has entered into various contracts totaling \$3,847,421 for roadway projects, communication towers and chillers. As of June 30, 2013 costs of \$2,218,237 on the projects have been incurred. The balance of \$1,629,184 remaining on the contracts at June 30, 2013 will be paid as work on the projects progress.

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

Management evaluated subsequent events through April 28, 2014, the date the financial statements were available to be issued.

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

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2013**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
<b>RECEIPTS:</b>						
Property and Other County Tax	\$ 8,193,569	\$ 0	\$ 8,193,569	\$ 8,173,136	\$ 8,173,136	\$ 20,433
Interest and Penalty on Property Tax	61,731	0	61,731	55,000	55,000	6,731
Intergovernmental	5,188,452	0	5,188,452	6,092,485	6,106,895	(918,443)
Licenses and Permits	37,460	0	37,460	29,721	29,721	7,739
Charges for Service	644,066	0	644,066	618,790	654,175	(10,109)
Use of Money and Property	256,206	0	256,206	213,451	213,451	42,755
Miscellaneous	280,813	5,317	275,496	100,600	126,228	149,268
<b>Total Receipts</b>	<b>14,662,297</b>	<b>5,317</b>	<b>14,656,980</b>	<b>15,283,183</b>	<b>15,358,606</b>	<b>(701,626)</b>
<b>DISBURSEMENTS:</b>						
Public Safety and Legal Services	2,927,362	0	2,927,362	3,031,870	3,097,870	170,508
Physical Health and Social Services	540,021	0	540,021	593,860	600,860	60,839
Mental Health	1,726,548	0	1,726,548	3,181,744	3,181,744	1,455,196
County Environment and Education	1,219,709	0	1,219,709	1,165,177	1,249,483	29,774
Roads and Transportation	4,546,615	0	4,546,615	6,241,250	6,241,250	1,694,635
Governmental Services to Residents	622,869	0	622,869	710,238	710,338	87,469
Administration	1,342,886	0	1,342,886	1,417,829	1,450,225	107,339
Non-Program	62,015	15,713	46,302	53,375	56,825	10,523
Debt Service	621,293	0	621,293	500,386	537,403	(83,890)
Capital Projects	1,228,123	0	1,228,123	1,982,350	1,982,350	754,227
<b>Total Disbursements</b>	<b>14,837,441</b>	<b>15,713</b>	<b>14,821,728</b>	<b>18,878,079</b>	<b>19,108,348</b>	<b>4,286,620</b>
Excess (Deficiency) of Receipts Under Disbursements	(175,144)	(10,396)	(164,748)	(3,594,896)	(3,749,742)	3,584,994
Other Financing Sources, Net	80,851	0	80,851	42,500	108,500	(27,649)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(94,293)	(10,396)	(83,897)	(3,552,396)	(3,641,242)	3,557,345
Balance Beginning of Year	10,350,051	11,676	10,338,375	6,563,930	6,563,930	3,774,445
Balance End of Year	\$10,255,758	\$ 1,280	\$10,254,478	\$ 3,011,534	\$ 2,922,688	\$7,331,790

See Accompanying Independent Auditor's Report

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

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,662,297	\$ 199,789	\$14,862,086
Expenditures	14,837,441	(650,356)	14,187,085
Net	(175,144)	850,145	675,001
Other Financing Sources, Net	80,851	129,089	209,940
Beginning Fund Balances	10,350,051	(528,113)	9,821,938
Decrease in Reserve For: Inventories	0	(36,716)	(36,716)
Ending Fund Balances	\$10,255,758	\$ 414,405	\$10,670,163

See Accompanying Independent Auditor's Report

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

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$230,269. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the Debt Service function and disbursements in certain departments exceeded the amounts appropriated.

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

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$1,013	\$1,013	0%	\$3,810	26.59%
2011	July 1, 2009	0	1,013	1,013	0	4,005	24.94
2012	July 1, 2009	0	1,013	1,013	0	4,279	23.68
2013	July 1, 2012	0	1,265	1,265	0	4,318	29.31

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.

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

COMBINING BALANCE SHEET  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2013

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>ASSETS</b>		
Cash and Pooled Investments:	\$226	\$41
Receivables:		
Accounts	0	0
Accrued Interest	0	0
<b>TOTAL ASSETS</b>		
	<b>\$226</b>	<b>\$41</b>
<b>FUND BALANCES</b>		
Fund Balances:		
Restricted For:		
Drainage	\$ 0	\$ 0
Capital Projects	0	0
Other Purposes	226	41
<b>TOTAL FUND BALANCES</b>		
	<b>\$226</b>	<b>\$41</b>

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$80,913	\$33,145	\$285	\$1,280	\$276,880	\$392,770
0	393	0	0	0	393
22	9	0	0	0	31
<u>\$80,935</u>	<u>\$33,547</u>	<u>\$285</u>	<u>\$1,280</u>	<u>\$276,880</u>	<u>\$393,194</u>
\$ 0	\$ 0	\$ 0	\$1,280	\$ 0	\$ 1,280
0	0	0	0	276,880	276,880
80,935	33,547	285	0	0	115,034
<u>\$80,935</u>	<u>\$33,547</u>	<u>\$285</u>	<u>\$1,280</u>	<u>\$276,880</u>	<u>\$393,194</u>

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

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>REVENUES:</b>		
Intergovernmental	\$ 0	\$ 0
Charges for Service	0	0
Use of Money and Property	0	0
Miscellaneous	1	0
Total Revenues	1	0
<b>EXPENDITURES:</b>		
Operating:		
Governmental Services to Residents	0	0
Non-Program	0	0
Debt Service	0	0
Capital Projects	0	0
Total Expenditures	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	0
Other Financing Uses:		
Transfers Out	0	0
Total Other Financing Uses	0	0
Net Change in Fund Balances	1	0
Fund Balances Beginning of Year	225	41
Fund Balances End of Year	\$226	\$41

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$ 11,892	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,892
0	5,117	0	0	0	5,117
193	34	0	0	0	227
0	0	0	5,317	0	5,318
12,085	5,151	0	5,317	0	22,554
0	2,319	0	0	0	2,319
0	0	0	15,355	0	15,355
4,000	0	0	0	0	4,000
6,000	0	0	0	743,092	749,092
10,000	2,319	0	15,355	743,092	770,766
2,085	2,832	0	(10,038)	(743,092)	(748,212)
(10,350)	0	0	0	(10,562)	(20,912)
(10,350)	0	0	0	(10,562)	(20,912)
(8,265)	2,832	0	(10,038)	(753,654)	(769,124)
89,200	30,715	285	11,318	1,030,534	1,162,318
\$ 80,935	\$33,547	\$285	\$ 1,280	\$ 276,880	\$ 393,194

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

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,508	\$209,247	\$ 175,855
Other County Officials	50,043	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	56	87	3,649
Succeeding Year	0	196,566	308,611	13,767,563
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$50,043</b>	<b>\$199,130</b>	<b>\$517,945</b>	<b>\$13,947,067</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 50	\$ 0
Due To Other Governments	0	199,130	510,922	13,947,067
Trusts Payable	50,043	0	0	0
Compensated Absences	0	0	6,973	0
<b>TOTAL LIABILITIES</b>	<b>\$50,043</b>	<b>\$199,130</b>	<b>\$517,945</b>	<b>\$13,947,067</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 10,825 0	\$ 57,634 0	\$ 3,457 0	\$483,052 0	\$ 201,974 0	\$ 1,144,552 50,043
242 856,607 0 0	288 4,723,356 0 0	107 270,825 0 0	0 0 0 0	272 956,512 19,030 79	4,701 21,080,040 19,030 79
<u>\$867,674</u>	<u>\$4,781,278</u>	<u>\$274,389</u>	<u>\$483,052</u>	<u>\$1,177,867</u>	<u>\$22,298,445</u>
\$ 0 867,674 0 0	\$ 0 4,781,278 0 0	\$ 0 274,389 0 0	\$ 0 483,052 0 0	\$ 5,717 1,135,908 36,242 0	\$ 5,767 22,199,420 86,285 6,973
<u>\$867,674</u>	<u>\$4,781,278</u>	<u>\$274,389</u>	<u>\$483,052</u>	<u>\$1,177,867</u>	<u>\$22,298,445</u>

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

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY**  
**ASSETS AND LIABILITIES – AGENCY FUNDS**  
Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances Beginning of Year	\$ 39,061	\$200,589	\$347,110	\$13,870,400
Additions:				
Property and Other County Tax	0	196,734	399,786	13,775,605
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,225	15,229	636,279
Office Fees and Collections	579,187	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	311,674	0	0	0
Miscellaneous	0	0	164	0
Total Additions	890,861	205,959	415,179	14,411,884
Deductions:				
Agency Remittances:				
To Other Funds	266,367	0	0	0
To Other Governments	309,877	207,418	304,771	14,335,217
Trusts Paid Out	303,635	0	0	0
Total Deductions	879,879	207,418	304,771	14,335,217
Other Financing sources (Uses)				
Transfers In (Out)	0	0	60,427	0
Balances End of Year	\$ 50,043	\$199,130	\$517,945	\$13,947,067

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Totals
\$860,459	\$4,597,382	\$274,909	\$ 460,934	\$1,231,683	\$21,882,527
857,362	4,704,045	272,210	0	866,403	21,072,145
0	0	0	0	141,563	141,563
39,576	186,218	13,217	0	43,362	943,106
0	0	0	0	0	579,187
0	0	0	6,253,260	0	6,253,260
0	0	0	0	24,445	24,445
0	0	0	0	300,138	611,812
0	0	0	0	144,061	144,225
896,938	4,890,263	285,427	6,253,260	1,519,972	29,769,743
0	0	0	0	1,150	267,517
889,723	4,706,367	285,947	6,231,142	1,204,933	28,475,395
0	0	0	0	307,278	610,913
889,723	4,706,367	285,947	6,231,142	1,513,361	29,353,825
0	0	0	0	(60,427)	0
\$867,674	\$4,781,278	\$274,389	\$ 483,052	\$1,177,867	\$22,298,445

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

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

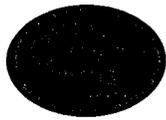
For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
Property and Other County Tax	\$ 8,195,046	\$ 7,905,245	\$ 7,969,006	\$ 7,763,397
Interest and Penalty On Property Tax	63,589	59,579	61,434	66,404
Intergovernmental	5,337,022	6,490,836	6,797,756	6,164,281
Licenses and Permits	39,705	21,653	23,400	14,626
Charges For Service	656,029	649,531	587,311	506,916
Use of Money and Property	257,215	205,226	177,227	202,933
Miscellaneous	313,480	282,046	313,183	175,390
<b>Total</b>	<b>\$14,862,086</b>	<b>\$15,614,116</b>	<b>\$15,929,317</b>	<b>\$14,893,947</b>
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	\$ 2,942,256	\$ 2,896,649	\$ 2,719,842	\$ 2,275,371
Physical Health and Social Services	542,636	508,636	451,923	383,162
Mental Health	1,205,798	3,273,894	2,850,981	2,845,162
County Environment and Education	1,176,417	1,213,999	1,141,745	1,095,370
Roads and Transportation	4,216,840	5,011,077	4,951,494	3,970,327
Governmental Services To Residents	621,244	641,217	606,344	460,838
Administration	1,357,158	1,338,817	1,296,098	1,995,945
Non-Program	61,923	320,150	67,071	46,214
Debt Services	750,382	513,914	386,950	474,103
Capital Projects	1,312,431	566,064	1,175,584	3,734,032
<b>Total</b>	<b>\$14,187,085</b>	<b>\$16,284,417</b>	<b>\$15,648,032</b>	<b>\$17,280,524</b>

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 7,533,877	\$ 6,995,987	\$ 6,978,285	\$ 6,468,892	\$ 6,390,781	\$ 5,776,781
63,175	62,457	31,435	60,696	65,401	57,370
7,651,861	6,377,517	5,972,865	5,662,227	5,896,416	5,284,982
19,696	15,005	14,006	16,631	13,907	14,475
528,278	484,404	503,470	515,110	591,508	553,649
297,499	325,461	328,005	258,912	150,031	115,019
248,352	224,273	125,384	215,443	155,551	126,927
<u>\$16,342,738</u>	<u>\$14,485,104</u>	<u>\$13,953,450</u>	<u>\$13,197,911</u>	<u>\$13,263,595</u>	<u>\$11,929,203</u>
\$ 2,262,534	\$ 2,493,996	\$ 1,956,602	\$ 2,493,081	\$ 2,397,070	\$ 2,218,273
303,930	280,727	282,550	159,317	169,989	156,274
2,982,372	2,874,459	2,815,813	2,504,044	2,505,863	2,371,445
1,218,764	1,228,838	881,996	830,266	623,719	593,717
5,289,483	4,025,950	3,626,634	4,434,783	4,398,858	3,212,903
469,532	462,462	372,033	573,061	386,754	334,368
2,018,487	1,896,146	1,893,738	1,809,031	1,422,123	1,351,040
69,446	53,712	33,522	32,282	29,224	101,051
455,055	104,105	186,343	182,283	106,441	239,299
3,203,622	169,620	713,308	905,675	934,422	338,056
<u>\$18,273,225</u>	<u>\$13,590,015</u>	<u>\$12,762,539</u>	<u>\$13,923,823</u>	<u>\$12,974,463</u>	<u>\$10,916,426</u>



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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To the Officials of Buchanan County  
Independence, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Buchanan County, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Buchanan County, Iowa's basic financial statements and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item C to be a significant deficiency.

### Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Buchanan County, Iowa'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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Buchanan County, Iowa's Response to Findings

Buchanan County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Buchanan County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of This Report

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

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

*Gardiner Thomsen, P.C.*

April 28, 2014  
Charles City, Iowa

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

SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

**Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES**

**A Segregation of Duties**

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

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

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

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

*Cause* – Limited staff available to segregate duties.

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

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

**B Financial Reporting**

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

*Criteria* – A good financial reporting system to record receipts, disbursements, accounts receivable, accounts payable and capital assets, including infrastructure and the related depreciation calculations.

*Condition* – Receipts for the interest earned in June on the debt escrow account were not recorded. Disbursements for interest payments made from the debt escrow account in June were not recorded. Proceeds related to the sale of items not included on the capital assets listing were recorded as proceeds from the sale of capital assets. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

*Effect* – The receipts and disbursements for the Debt Service fund were understated. The proceeds from the sale of capital assets were overstated, miscellaneous receipts were overstated. The accounts receivable and accounts payable listings were understated. The capital asset listing was not correct.

*Recommendation* – The County should implement procedures to ensure all receipts and disbursements are properly coded and recorded and all accounts receivable, accounts payable and capital assets, infrastructure and related depreciation are recorded correctly in the financial statements.

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

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

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2013

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

**C Preparation of Full Disclosure Financial Statements**

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

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

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

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

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

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

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

**INSTANCES OF NON-COMPLAINE:**

No matters were noted.

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

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2013

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

1. **Certified Budget** – Disbursement during the year ended June 30, 2013 exceeded the amounts budgeted in the Debt Service function. Disbursements in certain departments exceeded the amounts appropriated.

*Recommendation* –The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursement were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed appropriations.

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

*Conclusion* – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Suzy Duwe, Auditor’s Office</b>		
Dave Sproul Father of Suzy Duwe	Election Worker	\$136
<b>Suzy Duwe, Auditor’s Office</b>		
Marcia Sproul Step-Mother of Suzy Duwe	Election Worker	206
<b>Cindy Gosse, County Auditor</b>		
Stephanie Witt Daughter of Cindy Gosse	Election Worker	467
<b>Gary Gissel, Board of Supervisors</b>		
Gissel Construction Part Owner of the Business	New Kitchen Door for Senior Center	490
<b>Phyllis Haisch, Assessor’s Office</b>		
Lloyd Haisch Spouse of Phyllis Haisch	Election Worker	180

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

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2013

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

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Christine Kayser, Community Services Office</b>		
Patricia Kayser Mother-in-Law of Christine Kayser	Election Worker	\$250
<b>Michelle Mangrich, Recorder's Office</b>		
Marianne Cayouette Mother of Michelle Mangrich	Election Worker	189
<b>Michelle Mangrich, Recorder's Office</b>		
Marlene Mangrich Mother in Law of Michelle Mangrich	Election Worker	207
<b>Vanessa Tisl, Deputy Auditor</b>		
Maryls Miller Mother of Vanessa Tisl	Election Worker	343
<b>Vanessa Tisl, Deputy Auditor</b>		
Andrea Tisl Daughter of Vanessa Tisl	Election Worker	333
<b>Vanessa Tisl, Deputy Auditor</b>		
Ashley Tisl Daughter of Vanessa Tisl	Election Worker	128

The services provided by Dave Sproul, Marcia Sproul, Stephanie Witt, Gissel Construction, Lloyd Haisch, Patricia Kayser, Marianne Cayouette, Marlene Mangrich, Marlys Miller, Andrea Tisl, and Ashley Tisl do not appear to represent a conflict of interest as the services provided were not in excess of \$1,500 as provided by Chapter 331.342 of the Code of Iowa.

5. **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Economic Development** – During the year ended June 30, 2013, the County spent \$272,059 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

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

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2013

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

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

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

11. **Special Appraiser's Transfer** – The County did not transfer funds from the Special Appraiser Fund to the Assessment Expense Fund as required by House File 254.

*Recommendation* – House File 254 required the County to transfer any remaining funds from the Special Appraiser's Fund to the Assessment Expense fund by July 10, 2012. The County should transfer the remaining funds immediately.

*Response* – This transfer was completed April 30, 2013.

*Conclusion* – Response accepted.