

CLARKE COUNTY

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

JUNE 30, 2013

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2013)		
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Myron Manley	Board of Supervisors	Jan. 2015
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2013
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016
(After January 2013)		
Myron Manley	Board of Supervisors	Jan. 2015
Marvin McCann	Board of Supervisors	Jan. 2017
Larry Keller	Board of Supervisors	Jan. 2017
Janice White	County Auditor	Jan. 2017
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2017
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke 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 U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clarke County 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 U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014 on our consideration of Clarke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clarke County's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
March 14, 2014

*Hunt & Associates, P.C.*

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## Basic Financial Statements

CLARKE COUNTY  
STATEMENT OF NET POSITION  
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,873,284
Receivables:	
Property tax:	
Delinquent	6,329
Succeeding year	4,024,000
Interest and penalty on property tax	18,111
Accounts	42,004
Accrued interest	889
Due from other governments	274,845
Inventories	156,369
Prepaid expenses	115,033
Capital assets, net of accumulated depreciation (note 4)	<u>13,669,054</u>
 Total assets	 <u>21,179,918</u>
Liabilities	
Accounts payable	273,867
Salaries and benefits payable	134,040
Due to other governments (note 5)	13,365
Accrued interest payable	32,856
Deferred revenue:	
Succeeding year property tax	4,024,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Bonds	17,000
Capital loan notes	310,000
Child care center revenue notes	7,838
Capital lease purchase agreements	127,919
Compensated absences	199,319
Portion due or payable after one year:	
Bonds	133,000
Capital loan notes	850,000
Child care center revenue notes	490,989
Capital lease purchase agreements	211,770
Net OPEB liability	<u>60,000</u>
 Total liabilities	 <u>6,885,963</u>

CLARKE COUNTY  
STATEMENT OF NET POSITION  
June 30, 2013

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 11,677,739
Restricted for:	
Supplemental levy purposes	574,917
Rural services purposes	468,656
Secondary roads purposes	652,123
Debt service	10,921
Capital projects	33
Conservation purposes	224,196
Other purposes	103,218
Unrestricted	<u>582,152</u>
Total net position	<u>\$ 14,293,955</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest		
Governmental Activities:					
Public safety and legal services	\$ 1,691,287	\$ 216,835	\$ -	\$	(1,474,452)
Physical health and social services	1,083,778	241,910	312,803		(529,065)
Mental health	323,786	23	37,331		(286,432)
County environment and education	261,379	17,217	15,351		(228,811)
Roads and transportation	3,198,146	257,498	1,813,046		(1,127,602)
Government services to residents	404,885	185,121	3		(219,761)
Administration	907,883	31,747	1,500		(874,636)
Interest on long-term debt	70,309	-	53,540		(16,769)
Total	<u>\$ 7,941,453</u>	<u>\$ 950,351</u>	<u>\$ 2,233,574</u>		<u>(4,757,528)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,780,081
Debt service					330,213
Penalty and interest on property tax					42,251
State tax credits					184,844
Gaming tax					239,223
Unrestricted investment earnings					<u>18,653</u>
Total general revenues					<u>4,595,265</u>
Change in net position					(162,263)
Net position beginning of year					<u>14,456,218</u>
Net position end of year					<u>\$ 14,293,955</u>

See notes to financial statements.

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CLARKE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,503,841	\$ 105,919	\$ 530,931	\$ 516,371
Receivables:				
Property tax:				
Delinquent	4,593	712	482	-
Succeeding year	2,488,000	412,000	793,000	-
Interest and penalty on property tax	18,111	-	-	-
Accounts	3,258	-	-	3,003
Accrued interest	856	-	-	-
Due from other governments	125,446	1,887	-	147,512
Inventories	-	-	-	156,369
Prepaid expenses	87,779	-	-	27,254
Total assets	\$ 4,231,884	\$ 520,518	\$ 1,324,413	\$ 850,509

<u>Nonmajor</u>	<u>Total</u>
\$ 201,376	\$ 2,858,438
542	6,329
331,000	4,024,000
-	18,111
179	6,440
33	889
-	274,845
-	156,369
-	115,033
<u>\$ 533,130</u>	<u>\$ 7,460,454</u>

CLARKE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,850	\$ 159,056	\$ 730	\$ 72,101
Salaries and benefits payable	83,390	706	11,929	38,015
Due to other governments (note 5)	4,375	3,057	-	5,933
Deferred revenue:				
Succeeding year property tax	2,488,000	412,000	793,000	-
Other	22,704	712	482	-
Total liabilities	2,640,319	575,531	806,141	116,049
 Fund balances:				
Nonspendable:				
Inventories	-	-	-	156,369
Prepaid expenses	87,779	-	-	27,254
Restricted for:				
Supplemental levy purposes	517,474	-	35,479	-
SIRWA water grid project	-	-	62,500	-
Rural services purposes	-	-	420,293	-
Secondary roads purposes	-	-	-	550,837
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	82,297	-	-	-
Inmate room and board	85,225	-	-	-
Flowerbed maintenance	2,810	-	-	-
Other purposes	-	-	-	-
Assigned for environmental education	27,198	-	-	-
Unassigned	788,782	(55,013)	-	-
Total fund balances	1,591,565	(55,013)	518,272	734,460
 Total liabilities and fund balances	\$ 4,231,884	\$ 520,518	\$ 1,324,413	\$ 850,509

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 273,737
-	134,040
-	13,365
331,000	4,024,000
542	24,440
<u>331,542</u>	<u>4,469,582</u>
-	156,369
-	115,033
-	552,953
-	62,500
-	420,293
-	550,837
37,272	37,272
7,234	7,234
141,899	224,196
-	85,225
-	2,810
15,183	15,183
-	27,198
-	733,769
<u>201,588</u>	<u>2,990,872</u>
<u>\$ 533,130</u>	<u>\$ 7,460,454</u>

## CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013

Total fund balances of governmental funds	\$ 2,990,872
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 as assets in the governmental funds. The cost of assets is \$24,161,402 and the accumulated depreciation is \$10,492,348.	13,669,054
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	24,440
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	50,280
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(32,856)
Long-term liabilities, including bonds and notes payable, capital lease purchase agreements payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,407,835)</u>
Net position of governmental activities	<u>\$ 14,293,955</u>

See notes to financial statements.

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CLARKE COUNTY

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 2,804,899	\$ 413,028	\$ 799,734	\$ -
Interest and penalty on property tax	39,364	-	-	-
Intergovernmental	769,143	55,221	42,018	1,813,045
Licenses and permits	6,925	-	4,585	2,570
Charges for service	280,813	-	100	240
Use of money and property	28,376	-	-	-
Miscellaneous	48,317	23	2,321	254,688
<b>Total revenues</b>	<b>3,977,837</b>	<b>468,272</b>	<b>848,758</b>	<b>2,070,543</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,292,112	-	274,885	-
Physical health and social services	977,023	-	-	-
Mental health	-	323,786	-	-
County environment and education	158,886	-	88,484	-
Roads and transportation	-	-	-	2,772,365
Government services to residents	397,697	-	-	-
Administration	869,792	-	-	-
Debt service	-	-	-	-
Capital projects	2,539	-	-	-
<b>Total expenditures</b>	<b>3,698,049</b>	<b>323,786</b>	<b>363,369</b>	<b>2,772,365</b>
Excess (deficiency) of revenues over (under) expenditures	279,788	144,486	485,389	(701,822)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	-	-	-	530,000
Interfund transfers out (note 3)	(45,000)	-	(485,000)	-
<b>Total other financing sources (uses)</b>	<b>(45,000)</b>	<b>-</b>	<b>(485,000)</b>	<b>530,000</b>
Net change in fund balances	234,788	144,486	389	(171,822)
Fund balances beginning of year	1,356,777	(199,499)	517,883	906,282
Fund balances end of year	\$ <u>1,591,565</u>	\$ <u>(55,013)</u>	\$ <u>518,272</u>	\$ <u>734,460</u>

See notes to financial statements.

	<u>Nonmajor</u>		<u>Total</u>
\$	329,994	\$	4,347,655
	-		39,364
	76,401		2,755,828
	-		14,080
	2,096		283,249
	540		28,916
	-		305,349
	<u>409,031</u>		<u>7,774,441</u>
	696		1,567,693
	-		977,023
	-		323,786
	-		247,370
	-		2,772,365
	1,558		399,255
	-		869,792
	397,160		397,160
	-		2,539
	<u>399,414</u>		<u>7,556,983</u>
	9,617		217,458
	-		530,000
	-		(530,000)
	<u>-</u>		<u>-</u>
	9,617		217,458
	<u>191,971</u>		<u>2,773,414</u>
\$	<u><u>201,588</u></u>	\$	<u><u>2,990,872</u></u>

## CLARKE COUNTY

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 \$ 217,458

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

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

	\$	98,271	
Expenditures for capital assets			
Depreciation expense		<u>(896,136)</u>	(797,865)

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:

		1,862	
Property tax			
Other		<u>2,887</u>	4,749

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. 446,866

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

		(21,914)	
Compensated absences			
Net OPEB liability		(14,300)	
Interest on long-term debt		<u>3,369</u>	(32,845)

The Internal Service Funds are used by management to charge the costs of  
the County's health insurance and flexible benefit plans to individual  
funds. The change in net position of the Internal Service Funds is reported  
with governmental activities. (626)

Change in net position of governmental activities \$ (162,263)

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 14,846
Accounts receivable	<u>35,564</u>
Total assets	<u>50,410</u>
Liabilities	
Accounts payable	<u>130</u>
Net Position	
Unrestricted	<u><u>\$ 50,280</u></u>

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2013

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 776,634
Charges to employees and others	<u>188,492</u>
Total operating revenues	<u>965,126</u>
Operating expenses:	
Insurance premiums	944,951
Flexible spending claims	19,260
Administrative fees	<u>1,541</u>
Total operating expenses	<u>965,752</u>
Operating loss	(626)
Net position beginning of year	<u>50,906</u>
Net position end of year	<u>\$ 50,280</u>

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2013

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 777,354
Cash received from employees and others	188,543
Cash payments to suppliers for services	<u>(1,052,540)</u>
Net cash used by operating activities	(86,643)
Cash and cash equivalents beginning of year	<u>101,489</u>
Cash and cash equivalents end of year	<u><u>\$ 14,846</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (626)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	770
(Decrease) in accounts payable	<u>(86,787)</u>
Net cash used by operating activities	<u><u>\$ (86,643)</u></u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2013

Assets	
Cash and pooled investments:	
County Treasurer	\$ 618,623
Other County officials	22,479
Receivables:	
Property tax:	
Delinquent	18,414
Succeeding year	10,230,000
Accounts	2,279
Accrued interest	453
Due from other governments	48,547
Prepaid expenses	<u>15,740</u>
Total assets	<u>\$ 10,956,535</u>
Liabilities	
Accounts payable	\$ 17,597
Salaries and benefits payable	8,246
Due to other governments (note 5)	10,782,340
Trusts payable	138,834
Compensated absences	<u>9,518</u>
Total liabilities	<u>\$ 10,956,535</u>

See notes to financial statements.

## CLARKE COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies

Clarke 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, Clarke 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. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

The Statement of Net Position presents the County's nonfiduciary assets 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 by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Unrestricted net position consists of net position not meeting 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, proprietary, 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 to be used to fund mental health, mental retardation, and developmental disabilities services.

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

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

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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 and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (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 or estimated 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.

Asset Class	Amount
Intangibles	\$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the 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 absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

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

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

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

Unassigned – All amounts not included in preceding classifications.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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 did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts 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's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 45,000
	Special Revenue: Rural Services	<u>485,000</u>
		<u>\$ 530,000</u>

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 579,154	\$ -	\$ -	\$ 579,154
Capital assets being depreciated:				
Buildings	7,181,344	-	-	7,181,344
Machinery and equipment	3,930,393	98,271	-	4,028,664
Infrastructure	12,372,240	-	-	12,372,240
Total capital assets being depreciated	<u>23,483,977</u>	<u>98,271</u>	<u>-</u>	<u>23,582,248</u>
Less accumulated depreciation for:				
Buildings	2,365,165	211,062	-	2,576,227
Machinery and equipment	2,397,094	272,666	-	2,669,760
Infrastructure	4,833,953	412,408	-	5,246,361
Total accumulated depreciation	<u>9,596,212</u>	<u>896,136</u>	<u>-</u>	<u>10,492,348</u>
Total capital assets being depreciated, net	<u>13,887,765</u>	<u>(797,865)</u>	<u>-</u>	<u>13,089,900</u>
Governmental activities capital assets, net	<u>\$ 14,466,919</u>	<u>\$ (797,865)</u>	<u>\$ -</u>	<u>\$ 13,669,054</u>

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	148,584
Physical health and social services		101,684
County environment and education		11,725
Roads and transportation		588,636
Government services to residents		1,797
Administration		<u>43,710</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>896,136</u></u>

Note 5. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 4,375
Special Revenue:		
Mental Health		3,057
Secondary Roads		<u>5,933</u>
Total for governmental funds		<u><u>\$ 13,365</u></u>
Agency:		
County Assessor	Collections	\$ 403,679
Schools		5,541,549
Area Schools		286,135
Corporations		3,113,949
County Hospital		926,299
Auto License and Use Tax		166,646
All Other		<u>344,083</u>
Total for agency funds		<u><u>\$ 10,782,340</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 6. Short-Term Debt Activity

During the year ended June 30, 2013, the County entered into one short-term loan between funds. The loan was necessary to provide temporary financing during the initial startup of the Kids First Communities Early Childhood Iowa Fund. A summary of the activity for the year ended June 30, 2013 is as follows:

<u>Loan to:</u>	<u>Loan from:</u>	<u>Balance Beginning of Year</u>	<u>Loans Received</u>	<u>Loans Repaid</u>	<u>Balance End of Year</u>
Agency: Kids First Communities Early Childhood Iowa Fund	General Basic Fund	\$ -	\$ 10,000	\$ 10,000	\$ -

Note 7. Long-Term Liabilities

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 166,000	\$ -	\$ 16,000	\$ 150,000	\$ 17,000
Capital Loan Notes	1,460,000	-	300,000	1,160,000	310,000
Child Care Center Revenue Notes	506,309	-	7,482	498,827	7,838
Capital Lease Purchase Agreements	463,073	-	123,384	339,689	127,919
Compensated Absences	177,405	199,319	177,405	199,319	199,319
Net OPEB Liability	45,700	14,300	-	60,000	-
Total	\$ 2,818,487	\$ 213,619	\$ 624,271	\$ 2,407,835	\$ 662,076

General Obligation Bonds

Details of the County's June 30, 2013 general obligation solid waste disposal bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.40 %	\$ 17,000	\$ 5,464	\$ 22,464
2015	3.40	17,000	4,886	21,886
2016	3.64	18,000	4,308	22,308
2017	3.64	18,000	3,653	21,653
2018	3.64	19,000	2,997	21,997
2019-2021	3.78	61,000	4,649	65,649
		\$ 150,000	\$ 25,957	\$ 175,957

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the County's June 30, 2013 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Series Dated October 15, 2007			Series Dated June 15, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	4.00 %	\$ 65,000	\$ 2,600	3.60 %	\$ 90,000	\$ 9,240
2015	-	-	-	3.75	160,000	6,000
		<u>\$ 65,000</u>	<u>\$ 2,600</u>		<u>\$ 250,000</u>	<u>\$ 15,240</u>
Year Ending June 30,	Series Dated August 1, 2010			Series Dated October 15, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	3.00 %	\$ 115,000	\$ 14,250	0.75 %	\$ 40,000	\$ 6,830
2015	3.00	115,000	10,800	1.10	40,000	6,530
2016	3.00	120,000	7,350	1.10	40,000	6,090
2017	3.00	125,000	3,750	2.00	40,000	5,650
2018	-	-	-	2.00	40,000	4,850
2019-2022	-	-	-	2.00-2.50	170,000	10,675
		<u>\$ 475,000</u>	<u>\$ 36,150</u>		<u>\$ 370,000</u>	<u>\$ 40,625</u>
Year Ending June 30,	Total			Total		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 310,000	\$ 32,920	\$ 342,920			
2015	315,000	23,330	338,330			
2016	160,000	13,440	173,440			
2017	165,000	9,400	174,400			
2018	40,000	4,850	44,850			
2019-2022	170,000	10,675	180,675			
	<u>\$ 1,160,000</u>	<u>\$ 94,615</u>	<u>\$ 1,254,615</u>			

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes

Details of the County's June 30, 2013 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.75 %	\$ 7,838	\$ 23,694	\$ 31,532
2015	4.75	8,210	23,322	31,532
2016	4.75	8,600	22,932	31,532
2017	4.75	9,008	22,524	31,532
2018	4.75	9,436	22,096	31,532
2019-2023	4.75	54,347	103,313	157,660
2024-2028	4.75	68,539	89,121	157,660
2029-2033	4.75	86,439	71,221	157,660
2034-2038	4.75	109,014	48,646	157,660
2039-2043	4.75	137,396	20,182	157,578
		<u>\$ 498,827</u>	<u>\$ 447,051</u>	<u>\$ 945,878</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

The County did not comply with all of the revenue bond provisions during the year ended June 30, 2013. The required reserve account has been established by the County but no transfers were made to the sinking account.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the County entered into a capital lease purchase agreement for \$296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$144,877 for the acquisition of a wheel loader. The agreement is payable in five equal annual payments including interest at 3.5%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$141,367 for the acquisition of a motor grader. The agreement is payable in seven equal annual payments including interest at 3.25%.

Details of the County's June 30, 2013 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	March 14, 2008			August 15, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 45,520	\$ 3,535	\$ 49,055	\$ 16,742	\$ 2,102	\$ 18,844
2015	47,255	1,802	49,057	17,415	1,429	18,844
2016	-	-	-	18,116	729	18,845
	<u>\$ 92,775</u>	<u>\$ 5,337</u>	<u>\$ 98,112</u>	<u>\$ 52,273</u>	<u>\$ 4,260</u>	<u>\$ 56,533</u>

  

Year Ending June 30,	September 10, 2008			September 13, 2010		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 16,750	\$ 1,935	\$ 18,685	\$ 29,079	\$ 2,071	\$ 31,150
2015	17,372	1,313	18,685	30,097	1,053	31,150
2016	18,017	669	18,686	-	-	-
	<u>\$ 52,139</u>	<u>\$ 3,917</u>	<u>\$ 56,056</u>	<u>\$ 59,176</u>	<u>\$ 3,124</u>	<u>\$ 62,300</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Year Ending June 30,	November 15, 2010			Total		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 19,828	\$ 2,749	\$ 22,577	\$ 127,919	\$ 12,392	\$ 140,311
2015	20,482	2,095	22,577	132,621	7,692	140,313
2016	21,158	1,419	22,577	57,291	2,817	60,108
2017	21,858	720	22,578	21,858	720	22,578
	<u>\$ 83,326</u>	<u>\$ 6,983</u>	<u>\$ 90,309</u>	<u>\$ 339,689</u>	<u>\$ 23,621</u>	<u>\$ 363,310</u>

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio until used are guaranteed until June 30, 2013. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2013 was \$7,601.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. 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 benefit plan on a pay-as-you-go basis.

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 9. 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	\$ 43,800
Interest on net OPEB obligation	1,800
Adjustment to annual required contribution	<u>(1,800)</u>
Annual OPEB cost	43,800
Contributions made	<u>(29,500)</u>
Increase in net OPEB obligation	14,300
Net OPEB obligation beginning of year	<u>45,700</u>
Net OPEB obligation end of year	<u><u>\$ 60,000</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 actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$29,500 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 41,770	63.6%	\$ 30,410
2012	41,796	63.4%	45,700
2013	43,800	67.4%	60,000

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 \$351,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$351,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,849,000 and the ratio of the UAAL to covered payroll was 12.3%. As of June 30, 2013, there were no trust fund assets.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Other Postemployment Benefits (OPEB) (continued)

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table Fully Generational using scale AA. Projected claim costs of the medical plan are \$1,015 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$267,995, \$235,809 and \$206,382, respectively, equal to the required contributions for each year.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. Risk Management

Clarke 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 include 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 total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$116,231.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. Risk Management (continued)

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 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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$200,000, respectively. 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Early Childhood Iowa Area Board

The County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	<u>Early Childhood</u>	<u>School Ready</u>	<u>Total</u>
Revenues:			
State grants:			
Early childhood	\$ 48,550	\$ -	\$ 48,550
Family support and parent education	-	156,168	156,168
Preschool support for low-income families	-	68,569	68,569
Quality improvement	-	41,107	41,107
Allocation for administration	2,555	8,724	11,279
Other grant programs	-	16,434	16,434
Total state grants	<u>51,105</u>	<u>291,002</u>	<u>342,107</u>
Interest	<u>81</u>	<u>372</u>	<u>453</u>
Total revenues	<u>51,186</u>	<u>291,374</u>	<u>342,560</u>
Expenditures:			
Program services:			
Family support and parent education	-	157,052	157,052
Preschool support for low income families	-	58,529	58,529
Quality improvement	20,623	38,668	59,291
Other program services	25,304	14,189	39,493
Total program services	<u>45,927</u>	<u>268,438</u>	<u>314,365</u>
Administration	<u>3,077</u>	<u>8,186</u>	<u>11,263</u>
Total expenditures	<u>49,004</u>	<u>276,624</u>	<u>325,628</u>
Net change in fund balances	2,182	14,750	16,932
Balances beginning of year	<u>4,629</u>	<u>23,924</u>	<u>28,553</u>
Balances end of year	<u>\$ 6,811</u>	<u>\$ 38,674</u>	<u>\$ 45,485</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as item II-J-13 in the Schedule of Findings.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 13. Contingency

The County is involved in one ongoing legal case involving workers' compensation. The outcome of the case cannot be determined at this time and the County's insurance carrier is affording coverage.

Note 14. Subsequent Events

In July 2013, the County entered into a bank loan promissory note agreement for \$169,639. The loan proceeds were used to purchase a new motor grader and a new compressor. The loan will be repaid over five years with an interest rate of 1.25%.

In December 2013, the County issued \$5,000,000 of general obligation hospital bonds and loaned the proceeds to the hospital for a hospital addition and renovations. The bonds will be repaid from the hospital loan payments over twenty years with interest rates ranging from 4.0% to 4.5%.

In February 2014, the County entered into a bank loan agreement for \$198,000. The loan proceeds were used to purchase two bulldozers. The loan will be repaid over five years with an interest rate of 2.56%.

Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 4,349,849	\$ 4,382,667	\$ 4,382,667	\$ (32,818)
Interest and penalty on property tax	39,364	45,000	45,000	(5,636)
Intergovernmental	2,755,809	3,711,060	3,913,935	(1,158,126)
Licenses and permits	14,200	20,550	20,550	(6,350)
Charges for service	308,057	293,875	293,875	14,182
Use of money and property	29,834	30,550	30,550	(716)
Miscellaneous	388,148	208,589	208,589	179,559
Total receipts	<u>7,885,261</u>	<u>8,692,291</u>	<u>8,895,166</u>	<u>(1,009,905)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,561,495	1,646,353	1,659,636	98,141
Physical health and social services	988,682	966,034	1,134,776	146,094
Mental health	612,622	1,011,271	1,011,271	398,649
County environment and education	250,817	260,187	262,582	11,765
Roads and transportation	2,840,867	2,530,900	2,844,850	3,983
Government services to residents	401,709	398,547	407,106	5,397
Administration	872,496	936,010	940,946	68,450
Debt service	397,160	397,060	397,473	313
Capital projects	2,539	545,014	583,514	580,975
Total disbursements	<u>7,928,387</u>	<u>8,691,376</u>	<u>9,242,154</u>	<u>1,313,767</u>
Excess (deficiency) of receipts over (under) disbursements	(43,126)	915	(346,988)	303,862
Balance beginning of year	<u>2,901,564</u>	<u>2,648,681</u>	<u>2,648,681</u>	<u>252,883</u>
Balance end of year	<u>\$ 2,858,438</u>	<u>\$ 2,649,596</u>	<u>\$ 2,301,693</u>	<u>\$ 556,745</u>

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,885,261	\$ (110,820)	\$ 7,774,441
Expenditures	7,928,387	(371,404)	7,556,983
Net	(43,126)	260,584	217,458
Beginning fund balances	2,901,564	(128,150)	2,773,414
Ending fund balances	<u>\$ 2,858,438</u>	<u>\$ 132,434</u>	<u>\$ 2,990,872</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2013

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, 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, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$550,778. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated.

CLARKE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2013

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	\$ -	\$ 299	\$ 299	0.0%	\$ 2,483	12.0%
2011	July 1, 2009	-	299	299	0.0%	2,396	12.5%
2012	July 1, 2009	-	299	299	0.0%	2,693	11.1%
2013	July 1, 2012	-	351	351	0.0%	2,849	12.3%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

CLARKE COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
Assets				
Cash and pooled investments	\$ 4,438	\$ 141,869	\$ 3,297	\$ 7,222
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	179	-	-	-
Accrued interest	-	30	-	-
Total assets	<u>\$ 4,617</u>	<u>\$ 141,899</u>	<u>\$ 3,297</u>	<u>\$ 7,222</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	-	141,899	-	-
Other purposes	4,617	-	3,297	7,222
Total fund balances	<u>4,617</u>	<u>141,899</u>	<u>3,297</u>	<u>7,222</u>
Total liabilities and fund balances	<u>\$ 4,617</u>	<u>\$ 141,899</u>	<u>\$ 3,297</u>	<u>\$ 7,222</u>

See accompanying independent auditor's report.

<u>Debt Service</u>				
<u>Drug Dog</u>	<u>Debt Service</u>	<u>Child Care Center Reserve</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 47	\$ 12,733	\$ 24,539	\$ 7,231	\$ 201,376
-	542	-	-	542
-	331,000	-	-	331,000
-	-	-	-	179
-	-	-	3	33
<u>\$ 47</u>	<u>\$ 344,275</u>	<u>\$ 24,539</u>	<u>\$ 7,234</u>	<u>\$ 533,130</u>
\$ -	\$ 331,000	\$ -	\$ -	\$ 331,000
-	542	-	-	542
-	331,542	-	-	331,542
-	12,733	24,539	-	37,272
-	-	-	7,234	7,234
-	-	-	-	141,899
47	-	-	-	15,183
<u>47</u>	<u>12,733</u>	<u>24,539</u>	<u>7,234</u>	<u>201,588</u>
<u>\$ 47</u>	<u>\$ 344,275</u>	<u>\$ 24,539</u>	<u>\$ 7,234</u>	<u>\$ 533,130</u>

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	9,057	-	-
Charges for service	2,096	-	-	-
Use of money and property	3	504	-	-
Total revenues	<u>2,099</u>	<u>9,561</u>	-	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	487
Government services to residents	1,558	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>1,558</u>	-	-	<u>487</u>
Excess (deficiency) of revenues over (under) expenditures	541	9,561	-	(487)
Fund balances beginning of year	<u>4,076</u>	<u>132,338</u>	<u>3,297</u>	<u>7,709</u>
Fund balances end of year	<u>\$ 4,617</u>	<u>\$ 141,899</u>	<u>\$ 3,297</u>	<u>\$ 7,222</u>

See accompanying independent auditor's report.

<u>Debt Service</u>				
<u>Drug Dog</u>	<u>Debt Service</u>	<u>Child Care Center Reserve</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 329,994	\$ -	\$ -	\$ 329,994
-	67,344	-	-	76,401
-	-	-	-	2,096
-	-	-	33	540
-	397,338	-	33	409,031
209	-	-	-	696
-	-	-	-	1,558
-	397,160	-	-	397,160
209	397,160	-	-	399,414
(209)	178	-	33	9,617
256	12,555	24,539	7,201	191,971
\$ <u>47</u>	\$ <u>12,733</u>	\$ <u>24,539</u>	\$ <u>7,234</u>	\$ <u>201,588</u>

CLARKE COUNTY  
 COMBINING SCHEDULE OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 June 30, 2013

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 9,339	\$ 5,507	\$ 14,846
Accounts receivable	1,011	34,553	35,564
Total assets	<u>10,350</u>	<u>40,060</u>	<u>50,410</u>
Liabilities			
Accounts payable	<u>130</u>	-	<u>130</u>
Net Position			
Unrestricted	<u>\$ 10,220</u>	<u>\$ 40,060</u>	<u>\$ 50,280</u>

See accompanying independent auditor's report.

## CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2013

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues:			
Charges to operating funds	\$ -	\$ 776,634	\$ 776,634
Charges to employees and others	20,823	167,669	188,492
Total operating revenues	<u>20,823</u>	<u>944,303</u>	<u>965,126</u>
Operating expenses:			
Insurance premiums	-	944,951	944,951
Flexible spending claims	19,260	-	19,260
Administrative fees	1,541	-	1,541
Total operating expenses	<u>20,801</u>	<u>944,951</u>	<u>965,752</u>
Operating income (loss)	22	(648)	(626)
Net position beginning of year	<u>10,198</u>	<u>40,708</u>	<u>50,906</u>
Net position end of year	<u>\$ 10,220</u>	<u>\$ 40,060</u>	<u>\$ 50,280</u>

See accompanying independent auditor's report.

CLARKE COUNTY  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2013

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 777,354	\$ 777,354
Cash received from employees and others	20,874	167,669	188,543
Cash payments to suppliers for services	<u>(20,672)</u>	<u>(1,031,868)</u>	<u>(1,052,540)</u>
Net cash provided by (used by) operating activities	202	(86,845)	(86,643)
 Cash and cash equivalents beginning of year	 <u>9,137</u>	 <u>92,352</u>	 <u>101,489</u>
 Cash and cash equivalents end of year	 <u>\$ 9,339</u>	 <u>\$ 5,507</u>	 <u>\$ 14,846</u>
 Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 22	\$ (648)	\$ (626)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Decrease in accounts receivable	50	720	770
Increase (decrease) in accounts payable	<u>130</u>	<u>(86,917)</u>	<u>(86,787)</u>
 Net cash provided by (used by) operating activities	 <u>\$ 202</u>	 <u>\$ (86,845)</u>	 <u>\$ (86,643)</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013

	County Offices		Agricultural	County
	County Recorder	County Sheriff	Extension Education	Assessor
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	1,411	\$ 163,050
Other County officials	15,228	7,251	-	-
Receivables:				
Property tax:				
Delinquent	-	-	177	396
Succeeding year	-	-	107,000	238,000
Accounts	-	-	-	2,100
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	12,454
Total assets	<u>\$ 15,228</u>	<u>\$ 7,251</u>	<u>\$ 108,588</u>	<u>\$ 416,000</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,663	\$ 2,334	\$ -	\$ 51
Salaries and benefits payable	-	-	-	5,501
Due to other governments	8,565	-	108,588	403,679
Trusts payable	-	4,917	-	-
Compensated absences	-	-	-	6,769
Total liabilities	<u>\$ 15,228</u>	<u>\$ 7,251</u>	<u>\$ 108,588</u>	<u>\$ 416,000</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 70,404	\$ 3,671	\$ 26,406	\$ 2,557	\$ 1,009	\$ 12,709	\$ 15
-	-	-	-	-	-	-
8,145	464	7,543	97	-	1,590	2
5,463,000	282,000	3,080,000	147,000	-	912,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,541,549</u>	<u>\$ 286,135</u>	<u>\$ 3,113,949</u>	<u>\$ 149,654</u>	<u>\$ 1,009</u>	<u>\$ 926,299</u>	<u>\$ 1,017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
5,541,549	286,135	3,113,949	149,654	1,009	926,299	1,017
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,541,549</u>	<u>\$ 286,135</u>	<u>\$ 3,113,949</u>	<u>\$ 149,654</u>	<u>\$ 1,009</u>	<u>\$ 926,299</u>	<u>\$ 1,017</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 166,646	\$ 122,977	\$ 10,940	\$ 31,060
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	3,286
	<u>166,646</u>	<u>122,977</u>	<u>10,940</u>	<u>34,346</u>
Total assets	<u>\$ 166,646</u>	<u>\$ 122,977</u>	<u>\$ 10,940</u>	<u>\$ 34,346</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	833
Salaries and benefits payable	-	-	-	1,339
Due to other governments	166,646	-	-	31,140
Trusts payable	-	122,977	10,940	-
Compensated absences	-	-	-	1,034
	<u>166,646</u>	<u>122,977</u>	<u>10,940</u>	<u>34,346</u>
Total liabilities	<u>\$ 166,646</u>	<u>\$ 122,977</u>	<u>\$ 10,940</u>	<u>\$ 34,346</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Kids First Communities Early Childhood Iowa</u>	<u>Total</u>
\$ 164	\$ (48,547)	\$ 54,151	\$ 618,623
-	-	-	22,479
-	-	-	18,414
-	-	-	10,230,000
179	-	-	2,279
-	-	453	453
-	48,547	-	48,547
-	-	-	15,740
<u>\$ 343</u>	<u>\$ -</u>	<u>\$ 54,604</u>	<u>\$ 10,956,535</u>
\$ -	\$ -	\$ 7,716	\$ 17,597
-	-	1,406	8,246
343	-	43,767	10,782,340
-	-	-	138,834
-	-	1,715	9,518
<u>\$ 343</u>	<u>\$ -</u>	<u>\$ 54,604</u>	<u>\$ 10,956,535</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2013

	County Offices		Agricultural	County
	County Recorder	County Sheriff	Extension Education	Assessor
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 8,629	\$ 8,700	\$ 103,806	\$ 388,501
Additions:				
Property and other County tax	-	-	107,471	238,024
State tax credits	-	-	4,436	9,959
Office fees and collections	190,375	125,964	-	2,689
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	106,605	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	190,375	232,569	111,907	250,672
Deductions:				
Agency remittances:				
To other funds	75,933	125,437	-	-
To other governments	107,843	2,199	107,125	223,173
Trusts paid out	-	106,382	-	-
Total deductions	183,776	234,018	107,125	223,173
Balances end of year	\$ 15,228	\$ 7,251	\$ 108,588	\$ 416,000

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 5,281,269	\$ 271,751	\$ 3,128,325	\$ 144,447	\$ 1,808	\$ 940,701	\$ 1,019
5,460,719	281,989	3,041,675	148,243	-	911,968	1,120
221,455	11,544	86,659	7,729	-	39,961	48
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	13,509	-	-
-	-	-	-	-	-	-
<u>5,682,174</u>	<u>293,533</u>	<u>3,128,334</u>	<u>155,972</u>	<u>13,509</u>	<u>951,929</u>	<u>1,168</u>
-	-	-	-	-	-	-
5,421,894	279,149	3,142,710	150,765	14,308	966,331	1,170
-	-	-	-	-	-	-
<u>5,421,894</u>	<u>279,149</u>	<u>3,142,710</u>	<u>150,765</u>	<u>14,308</u>	<u>966,331</u>	<u>1,170</u>
\$ <u><u>5,541,549</u></u>	\$ <u><u>286,135</u></u>	\$ <u><u>3,113,949</u></u>	\$ <u><u>149,654</u></u>	\$ <u><u>1,009</u></u>	\$ <u><u>926,299</u></u>	\$ <u><u>1,017</u></u>

CLARKE COUNTY

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

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 175,690	\$ 104,869	\$ 32,991	\$ 22,035
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,301,780	-	-	-
Trusts	-	139,394	200,941	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	70,928
Total additions	<u>2,301,780</u>	<u>139,394</u>	<u>200,941</u>	<u>70,928</u>
Deductions:				
Agency remittances:				
To other funds	95,410	-	-	-
To other governments	2,215,414	-	-	58,617
Trusts paid out	-	121,286	222,992	-
Total deductions	<u>2,310,824</u>	<u>121,286</u>	<u>222,992</u>	<u>58,617</u>
Balances end of year	<u>\$ 166,646</u>	<u>\$ 122,977</u>	<u>\$ 10,940</u>	<u>\$ 34,346</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Kids First Communities Early Childhood Iowa</u>	<u>Total</u>
\$ 280	\$ -	\$ 10,614,821
-	-	10,191,209
-	-	381,791
2,096	-	321,124
-	-	2,301,780
-	-	446,940
-	-	13,509
-	371,112	442,040
<u>2,096</u>	<u>371,112</u>	<u>14,098,393</u>
-	-	296,780
2,033	316,508	13,009,239
-	-	450,660
<u>2,033</u>	<u>316,508</u>	<u>13,756,679</u>
<u>\$ 343</u>	<u>\$ 54,604</u>	<u>\$ 10,956,535</u>

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other County tax	\$ 4,347,655	\$ 4,367,553	\$ 4,043,156	\$ 3,764,427
Interest and penalty on property tax	39,364	48,041	50,237	56,151
Intergovernmental	2,755,828	3,261,308	3,469,211	3,299,875
Licenses and permits	14,080	9,665	8,125	10,160
Charges for service	283,249	318,606	273,915	312,757
Use of money and property	28,916	35,505	40,524	41,009
Miscellaneous	305,349	572,158	543,635	440,911
<b>Total</b>	<b>\$ 7,774,441</b>	<b>\$ 8,612,836</b>	<b>\$ 8,428,803</b>	<b>\$ 7,925,290</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,567,693	\$ 1,533,021	\$ 1,496,550	\$ 1,741,935
Physical health and social services	977,023	959,190	987,117	1,055,582
Mental health	323,786	1,269,129	1,057,201	938,643
County environment and education	247,370	263,238	226,106	255,954
Roads and transportation	2,772,365	2,844,674	2,544,789	2,482,289
Government services to residents	399,255	381,017	379,080	360,455
Administration	869,792	887,858	850,472	815,736
Debt service	397,160	354,282	208,579	272,849
Capital projects	2,539	589,287	792,253	63,952
<b>Total</b>	<b>\$ 7,556,983</b>	<b>\$ 9,081,696</b>	<b>\$ 8,542,147</b>	<b>\$ 7,987,395</b>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	3,459,732	\$ 3,560,557	\$ 4,197,991	\$ 3,728,172	\$ 3,843,161
	48,568	40,112	36,111	37,986	45,088
	4,379,483	3,798,207	3,345,660	3,031,600	3,133,909
	10,980	10,650	9,235	8,890	11,835
	267,554	260,905	262,821	268,264	229,834
	69,711	143,553	285,982	192,814	115,778
	274,302	369,071	254,497	323,628	307,346
\$	<u>8,510,330</u>	<u>8,183,055</u>	<u>8,392,297</u>	<u>7,591,354</u>	<u>7,686,951</u>
\$	1,557,140	\$ 1,440,885	\$ 1,457,547	\$ 1,369,187	1,308,070
	1,006,047	1,005,010	919,485	897,918	847,740
	1,021,859	1,140,658	1,032,628	1,021,097	891,323
	276,902	261,894	250,582	248,329	230,743
	3,480,704	2,967,938	2,224,277	2,149,188	2,452,539
	350,826	334,031	304,375	388,646	312,804
	756,184	762,990	697,713	729,359	671,734
	836,251	3,004,237	528,691	543,682	688,377
	908,928	938,234	383,320	123,988	744,897
\$	<u>10,194,841</u>	<u>11,855,877</u>	<u>7,798,618</u>	<u>7,471,394</u>	<u>8,148,227</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clarke County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings as item I-B-13, that we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of non-compliance described in Part I of the accompanying Schedule of Findings as item I-A-13 and certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

### Clarke County's Responses to Findings

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

### Purpose of this Report

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

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

Oskaloosa, Iowa  
March 14, 2014

*Hunt & Associates, P.C.*

CLARKE COUNTY  
 SCHEDULE OF FINDINGS  
 Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

I-A-13 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$55,013 at June 30, 2013. This is an improvement of \$144,486 from the prior year.

Recommendation – The County should continue to investigate ways to return the fund to a sound financial condition.

Response – We will investigate options to return the Mental Health Fund to a sound financial condition. However, this may take some time due to state funding changes and regionalization of mental health services.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

I-B-13 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that 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 generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety.	Recorder
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Auditor, Sheriff

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

I-B-13 Segregation of Duties (continued)

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

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – For fiscal year 2014, we now have two individuals jointly involved in the check preparation, signing, and mailing process.

County Recorder – We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted in any County function and did not exceed the amounts appropriated.
- II-B-13 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-13 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-13 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).
- II-I-13 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.
- II-J-13 Early Childhood Iowa Area Board – Clarke County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as an Agency Fund because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-K-13 Debt Service Payments – We noted that the payments of principal and interest for the County’s capital lease purchase agreements were made through the roads and transportation function rather than the debt service function.

Recommendation – All payments on long-term debt such as capital lease purchase agreements should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.

Response – We do not feel a change is necessary at this time. The expenditures are budgeted and paid out of the roads and transportation function in order to comply with Department of Transportation reporting requirements.

Conclusion – Response acknowledged, however, the expenditures would be more accurately classified if our recommendation is followed.

II-L-13 Homemakers Health Payroll – The County previously had entered into an agreement with the Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care was to reimburse the County for payroll expenses, which were recorded in an Agency Fund of the County. At June 30, 2013, Home Care owed the County \$48,547 for payroll expenses. Home Care closed and merged into the County’s Public Health department in March 2010.

Recommendation – The County should develop a plan to eliminate the deficit in this fund.

Response – We have approved a ten year repayment plan that started in fiscal year 2013 to eliminate the deficit from this fund.

Conclusion – Response accepted.

II-M-13 Revenue Classifications – During the audit, we noted four receipts totaling \$68,146 for Medicare and Medicaid intergovernmental revenues that were incorrectly recorded as nursing fee charges for services.

Recommendation – All receipts should be properly classified as to the revenue type to more accurately reflect the true revenue source totals.

Response – We will be more diligent in the future when classifying revenues.

Conclusion – Response accepted.

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-N-13 Child Care Center Revenue Notes – We noted that none of the required monthly payments from The Village, Ltd. to the Child Care Center Reserve Fund were made during the year ended June 30, 2013.

Recommendation – The County should work with The Village, Ltd. to ensure that the monthly payments for the reserve fund are made as required by the child care center revenue notes resolution.

Response – We will work with The Village, Ltd. to ensure that they are making the required payments to the reserve fund in the future.

Conclusion – Response accepted.