

**FAYETTE COUNTY**  
**West Union, Iowa**

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

June 30, 2013

**FAYETTE COUNTY**  
**West Union, Iowa**

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**FAYETTE COUNTY**  
**West Union, Iowa**

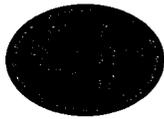
**OFFICIALS**

**(Before January 2013)**

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

**(After January 2013)**

Darrell Dolf.....	January 2015 .....	Board of Supervisors
Jeanine Tellin.....	January 2015 .....	Board of Supervisors
Vicki Rowland .....	January 2017 .....	Board of Supervisors
Lori Moellers .....	January 2017 .....	Auditor
Kyle Jacobsen .....	January 2015 .....	Treasurer
Karen Ford.....	January 2015 .....	Recorder
Marty Fisher.....	January 2017 .....	Sheriff
W. Wayne Saur .....	January 2015 .....	Attorney
Joe Flores.....	Appointed.....	Assessor



## **Independent Auditor's Report**

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To the Officials of Fayette County  
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County, 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 as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

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

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 - 11 and 43 - 46 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

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

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

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 28, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **FINANCIAL HIGHLIGHTS**

- County governmental funds revenue decreased 6.14% or approximately \$1,137,886 from 2012 to 2013. Property taxes increased approximately \$12,155 and operating grants, contributions and restricted interest decreased approximately \$903,640. Capital grants contributions and restricted interest decreased approximately \$173,541.
- County program expenses were 2.53% or approximately \$394,058 less in 2013 than in 2012. Mental Health expense decreased approximately \$1,162,261. Roads and Transportation expense increased \$709,718.
- The County's net position increased 4.85% or approximately \$2,199,238 from June 30, 2012 to June 30, 2013.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

## **Reporting the County as a Whole**

### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

The County has three kinds of funds:

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The County's combined net position was changed, increasing from \$45,326,704 to \$47,525,942. The analysis below focuses on net position and changes in net position of government activities.

#### **Net Position of Governmental Activities**

	(Expressed in Thousands)	
	2013	2012
Current and Other Assets	\$13,239	\$12,987
Capital Assets	42,642	40,982
Total Assets	55,881	53,969
Long-Term Debt Outstanding	708	959
Other Liabilities	7,647	7,683
Total Liabilities	8,355	8,642
Net Position:		
Net Investment in Capital Assets	42,642	40,633
Restricted	3,841	3,705
Unrestricted	1,043	989
Total Net Position	\$47,526	\$45,327

Net position of the County's governmental activities increased by approximately 4.85%, (from \$45,326,704. The largest portion of the County's net position is Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased to \$1,042,632.

**Changes in Net Position of Governmental Activities**

	Year Ended June 30,	
	2013	2012
Program Revenues:		
Charges for Service	\$ 1,895	\$ 1,978
Operating Grants and Contributions	5,013	5,917
Capital Grants and Contributions	1,851	2,025
Property Taxes	7,015	7,002
Penalty and Interest on Property Taxes	68	80
State Tax Credits	407	317
Local Option Sales Tax	631	642
Unrestricted Investment Earnings	24	26
Other General Revenues	503	558
Total Revenues	17,407	18,545
Program Expenses:		
Public Safety and Legal Services	3,193	3,023
Physical Health and Social Services	442	422
Mental Health	1,326	2,489
County Environment and Education	1,406	1,523
Roads and Transportation	6,483	5,773
Governmental Services to Residents	582	570
Administration	1,150	1,142
Non-Program	618	644
Interest on Long-Term Debt	8	16
Total Expenses	15,208	15,602
Increase in Net Position	2,199	2,943
Net Position Beginning of Year	45,327	42,384
Net Position End of Year	\$47,526	\$45,327

The County's revenue decreased 6.14%, \$1,137,886. The total cost of programs and services decreased 2.53%, \$394,058, with no new programs added this year. The cost of all governmental activities was approximately \$15.2 million compared to \$15.6 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$6.4 million because some of the cost was paid by those directly benefited from the programs (\$1,895,115) or by other governments and organizations which subsidized certain programs with grants and contributions (\$6,864,735). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal 2013 from approximately \$9,919,574 to \$8,759,850.

### *Governmental Activities*

Fayette County increased the property tax dollars levied for 2013 by 1.50%. This was an increase of \$107,196. Despite this tax increase, the ending balance was estimated to be less than 2012 due to expectations of revenues remaining at the lower level in 2013. The low projected fund balance to expenditure ratio at the end of the year remains a concern.

Property taxes were increased in the General Basic Fund by \$54,578; the General Supplemental Fund by \$28,890; the MHDD Fund by \$289; and the Rural Services Fund by \$11,817 all to cover miscellaneous items. The Debt Service Fund had an increase of \$4,622. The Debt Service Fund is being used to pay the jail debt and to take this burden off of the General Basic Fund Balance. We will continue to use the Debt Service Fund through June, 2013 at which time the jail will be completely paid for.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

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

The combined ending fund balance of the General and General Supplemental Funds increased by \$163,480 from 2012 to 2013. This increase in balance was due to an increase in property tax revenue and decreased expenditures for debt service.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,319,709, a decrease of 46% from the prior year. The Mental Health Fund balance at year end decreased \$60,609 over the prior year.

The Rural Services Fund balance increased \$25,505 from a year ago to \$492,980. This was due to an increase of property tax revenue and slightly lower expenditures.

The Secondary Road Fund ended the 2013 year with a balance of \$1,538,007. This is higher than the \$1,426,469 balance one year ago, due to an increase in intergovernmental revenues.

### **BUDGETARY HIGHLIGHTS**

The budget was amended three times during the year, on February 19, 2013, May 13, 2013 and June 24, 2013. These amendments lowered budgeted revenues for the following sources: \$45,100 for Net Current Property Taxes, \$1,513,919 for Intergovernmental, \$53,513 for Charges for Service, and \$7,626 for Use of Money and Property. The budgeted amount of revenues from the Licenses and Permits and Miscellaneous sources were increased by \$15,667 and \$521,328, respectively, as a result of the amendments. Proceeds of Capital Assets Sales was also increased by \$3,300, resulting in a net reduction of total budgeted revenues and other financing sources for the year of \$1,049,863.

Various function expenditures were also adjusted as a result of the budget amendments. The Public Safety and Legal Services, Roads and Transportation, and Capital Projects function budgeted expenditures were increased by \$170,701, \$117,800 and \$378,550, respectively. The budgeted expenditures were reduced for the following functions as a result of the amendments: \$11,516 for Physical Health and Social Services, \$1,379,208 for Mental Health, \$2,479 for County Environment and Education, \$15,625 for Governmental Services to Residents, \$86,153 for Administration, and \$96,824 for Non-Program. In total, the budget amendments reduced budgeted expenditures by \$924,754.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2013, the County had \$68,434,224 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$2,713,446 or 4% over last year.

### **Capital Assets at Year End of Governmental Activities**

	(Expressed in Thousands)	
	2013	2012
Land	\$ 1,938	\$ 1,402
Buildings	4,574	4,574
Equipment	9,365	9,431
Construction in Progress	8,976	7,008
Infrastructure	43,581	43,306
Total	<u>\$68,434</u>	<u>\$65,721</u>

This year's major additions include

Conservation Land	\$ 536
Secondary Road Equipment	451
Infrastructure Construction in Progress	<u>2,206</u>
	<u>\$3,193</u>

The County had depreciation expense of \$1,654,903 for the year ended June 30, 2013 and total accumulated depreciation as of June 30, 2013 of \$25,792,187.

The County's fiscal year 2013 capital project expenditures totaled \$853,751 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

### **Debt Administration**

At year end, the County had \$391,569 in bonds and other debt, compared to \$746,815 in bonds and other debt last year, as shown below.

### **Outstanding Debt at Year End of Governmental Activities**

	(Expressed in Thousands)	
	2013	2012
General Obligation Bonds	\$ 0	\$350
Compensated Absences	392	397
	<u>\$392</u>	<u>\$747</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue up to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$72.8 million limit.

### **Outstanding Debt at Year End of Governmental Activities (Continued)**

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

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

The County begins the 2014 fiscal year with an actual fund balance to budgeted expenditures ratio of 20.54%. This is considerably greater than the last few years. The General Basic Fund continues to be a concern considering the low fund balance. This year the General Basic Fund will be used to help pay for the lagoon project on the County Farm.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 114 N. Vine St., West Union, IA.

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Pooled Investments	\$ 4,529,368
Receivables:	
Property Tax:	
Delinquent	22,683
Succeeding Year	6,995,868
Interest and Penalty on Property Tax	28
Accounts	55,740
Accrued Interest	1,420
Due From Other Governments	479,109
Inventories	1,154,216
Capital Assets (Net of Accumulated Depreciation)	42,642,037
<b>TOTAL ASSETS</b>	<b>55,880,469</b>
<b>LIABILITIES</b>	
Accounts Payable	528,721
Salaries and Benefits Payable	110,915
Due To Other Governments	10,815
Deferred Revenue:	
Succeeding Year Property Tax	6,995,868
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	391,569
Portion Due or Payable After One Year:	
Net OPEB Liability	316,639
<b>TOTAL LIABILITIES</b>	<b>8,354,527</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	42,642,037
Restricted For:	
Supplemental Levy Purposes	1,092,568
Mental Health Purposes	573,702
Rural Services Purposes	495,236
Secondary Roads Purposes	1,359,717
Debt Service	6
Other Purposes	320,044
Unrestricted	1,042,632
<b>TOTAL NET POSITION</b>	<b>\$47,525,942</b>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Expenses
<b>FUNCTIONS/PROGRAMS:</b>	
Governmental Activities:	
Public Safety and Legal Services	\$ 3,192,943
Physical Health and Social Services	441,974
Mental Health	1,326,231
County Environment and Education	1,405,666
Roads and Transportation	6,482,981
Governmental Services to Residents	582,181
Administration	1,149,681
Non-Program	617,495
Interest on Long-Term Debt	8,502
	<hr/>
<b>TOTAL</b>	<b>\$15,207,654</b>
	<hr/> <hr/>

**GENERAL REVENUES:**

Property and Other County Tax Levied For:
General Purposes
Debt Service
Penalty and Interest on Property Tax
State Tax Credits
Local Option Sales Tax
Unrestricted Investment Earnings
Miscellaneous
Loss on Disposal of Capital Assets

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

**NET POSITION END OF YEAR**

See Notes To Financial Statements

**Exhibit B**

Charges for Service	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
\$ 425,883	\$ 37,496	\$ 0	\$ (2,729,564)
10,250	141,752	0	(289,972)
312,481	43,677	0	(970,073)
104,349	336,585	416,500	(548,232)
27,429	4,453,470	1,434,861	(567,221)
380,674	0	0	(201,507)
13,657	394	0	(1,135,630)
620,392	0	0	2,897
0	0	0	(8,502)
<u>\$1,895,115</u>	<u>\$5,013,374</u>	<u>\$1,851,361</u>	<u>(6,447,804)</u>

6,718,996
295,555
68,347
407,221
630,540
23,668
503,870
(1,155)
<u>8,647,042</u>
2,199,238
<u>45,326,704</u>
<u>\$47,525,942</u>

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$2,513,329	\$ 499,146	\$ 430,268
Receivables:			
Property Tax:			
Delinquent	17,663	2,764	2,256
Succeeding Year	4,525,517	708,245	1,762,106
Interest and Penalty on Property Tax	28	0	0
Accounts	53,137	612	1,554
Accrued Interest	1,344	0	0
Due From Other Governments	34,363	80,788	74,504
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$7,145,381</b>	<b>\$1,291,555</b>	<b>\$2,270,688</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 78,744	\$ 3,558	\$ 5,172
Salaries and Benefits Payable	60,016	6,050	8,174
Due To Other Governments	3,379	0	0
Deferred Revenue:			
Succeeding Year Property Tax	4,525,517	708,245	1,762,106
Other	17,639	2,760	2,256
<b>Total Liabilities</b>	<b>4,685,295</b>	<b>720,613</b>	<b>1,777,708</b>
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted For:			
Supplemental Levy Purposes	1,085,898	0	0
Mental Health Purposes	0	570,942	0
Rural Services Purposes	0	0	492,980
Secondary Roads Purposes	0	0	0
Drainage Purposes	0	0	0
Conservation Land Acquisition	64,510	0	0
Debt Service	0	0	0
Other Purposes	0	0	0
Assigned	35,408	0	0
Unassigned	1,274,270	0	0
<b>Total Fund Balances</b>	<b>2,460,086</b>	<b>570,942</b>	<b>492,980</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,145,381</b>	<b>\$1,291,555</b>	<b>\$2,270,688</b>

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 525,738	\$258,601	\$ 4,227,082
0	0	22,683
0	0	6,995,868
0	0	28
0	387	55,690
0	76	1,420
289,454	0	479,109
1,154,216	0	1,154,216
<u>\$1,969,408</u>	<u>\$259,064</u>	<u>\$12,936,096</u>
\$ 387,315	\$ 3,499	\$ 478,288
36,675	0	110,915
7,411	25	10,815
0	0	6,995,868
0	0	22,655
<u>431,401</u>	<u>3,524</u>	<u>7,618,541</u>
1,154,216	0	1,154,216
0	0	1,085,898
0	0	570,942
0	0	492,980
383,791	0	383,791
0	6,336	6,336
0	0	64,510
0	6	6
0	249,198	249,198
0	0	35,408
0	0	1,274,270
<u>1,538,007</u>	<u>255,540</u>	<u>5,317,555</u>
<u>\$1,969,408</u>	<u>\$259,064</u>	<u>\$12,936,096</u>

FAYETTE COUNTY  
West Union, Iowa

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

Total Governmental Fund Balances (page 16) \$ 5,317,555

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$68,434,224 and the accumulated depreciation/amortization is \$25,792,187. 42,642,037

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 22,655

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 251,903

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds. (708,208)

Net Position of Governmental Activities (page 14) \$47,525,942

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property and Other County Tax	\$4,328,953	\$ 729,177	\$ 1,653,291
Local Option Sales Tax	0	0	630,540
Interest and Penalty on Property Tax	68,347	0	0
Intergovernmental	443,391	402,894	365,687
Licenses and Permits	10,250	0	41,600
Charges for Service	783,625	17,349	3,300
Use of Money and Property	87,430	0	0
Miscellaneous	220,996	102,680	19,336
<b>Total Revenues</b>	<b>5,942,992</b>	<b>1,252,100</b>	<b>2,713,754</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety and Legal Services	3,116,403	0	0
Physical Health and Social Services	439,732	0	0
Mental Health	0	1,319,709	0
County Environment and Education	591,660	0	782,083
Roads and Transportation	0	0	241,753
Governmental Services to Residents	548,090	0	4,185
Administration	929,787	0	0
Non-Program	34,329	0	0
Debt Service	36,092	0	0
Capital Projects	31,340	0	0
<b>Total Expenditures</b>	<b>5,727,433</b>	<b>1,319,709</b>	<b>1,028,021</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	215,559	(67,609)	1,685,733
Other Financing Sources (Uses):			
Sale of Capital Assets	0	7,000	0
Transfers In	9,921	0	0
Transfers Out	(62,000)	0	(1,660,228)
<b>Total Other Financing Sources (Uses)</b>	<b>(52,079)</b>	<b>7,000</b>	<b>(1,660,228)</b>
Net Change in Fund Balances	163,480	(60,609)	25,505
Fund Balances Beginning of Year	2,296,606	631,551	467,475
Decrease in Reserve for Inventories	0	0	0
<b>Fund Balances End of Year</b>	<b>\$2,460,086</b>	<b>\$ 570,942</b>	<b>\$ 492,980</b>

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 0	\$296,363	\$ 7,007,784
0	0	630,540
0	0	68,347
4,452,042	83,470	5,747,484
9,010	0	60,860
1,254	17,801	823,329
0	1,010	88,440
177,064	4,634	524,710
<u>4,639,370</u>	<u>403,278</u>	<u>14,951,494</u>
0	439	3,116,842
0	0	439,732
0	0	1,319,709
0	32,276	1,406,019
5,081,765	0	5,323,518
0	2,319	554,594
221,203	0	1,150,990
0	0	34,329
0	323,183	359,275
819,099	3,312	853,751
<u>6,122,067</u>	<u>361,529</u>	<u>14,558,759</u>
<u>(1,482,697)</u>	<u>41,749</u>	<u>392,735</u>
2,000	0	9,000
1,722,228	0	1,732,149
0	(9,921)	(1,732,149)
<u>1,724,228</u>	<u>(9,921)</u>	<u>9,000</u>
241,531	31,828	401,735
1,426,469	223,712	5,045,813
<u>(129,993)</u>	<u>0</u>	<u>(129,993)</u>
<u>\$ 1,538,007</u>	<u>\$255,540</u>	<u>\$ 5,317,555</u>

**FAYETTE COUNTY**  
**West Union, Iowa**

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

**Net Change in Fund Balances - Total Governmental Funds (pages 18-19)** \$ 401,735

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

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

Expenditures for Capital Assets	\$ 1,373,327	
Capital Assets Contributed by the Iowa Department of Transportation	1,434,861	
Contributions from Others	416,500	
Depreciation Expense	<u>(1,654,903)</u>	1,569,785

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (10,155)

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

Property Tax	6,765	
Other	<u>(22,719)</u>	(15,954)

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

Repaid		350,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

Compensated Absences	5,246	
Other Post Employment Benefits	(104,917)	
Interest on Long-Term Debt	<u>773</u>	(98,898)

See Notes to Financial Statements

FAYETTE COUNTY  
West Union, Iowa

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

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.	\$ (129,993)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.	<u>132,718</u>
<b>Change in Net Position of Governmental Activities (pages 13-14)</b>	<u><u>\$2,199,238</u></u>

**FAYETTE COUNTY  
West Union, Iowa**

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

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash	\$302,286
Receivables:	
Accounts	50
<hr/>	
<b>TOTAL ASSETS</b>	<b>\$302,336</b>
<hr/>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 50,433
<hr/>	
<b>NET POSITION</b>	
Unrestricted	\$251,903
<hr/>	

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Internal Service Employee Group Health
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,371,025
Reimbursements From Employees and Others	312,404
Insurance Reimbursements	521,644
<u>Total Operating Revenues</u>	<u>2,205,073</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	392,068
Insurance Premiums	1,653,116
Administrative Fees	21,456
Miscellaneous	6,469
<u>Total Operating Expenses</u>	<u>2,073,109</u>
Operating Income	131,964
<b>NON-OPERATING REVENUES:</b>	
Interest Income	754
Net Income	132,718
<u>Net Position Beginning of Year</u>	<u>119,185</u>
<u>Net Position End of Year</u>	<u>\$ 251,903</u>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$ 1,371,025
Cash Received From Employees and Others	834,048
Cash Paid To Suppliers For Services	(2,042,004)
Net Cash Provided by Operating Activities	163,069
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	735
Net Increase in Cash	163,804
Cash Beginning of Year	138,482
Cash End of Year	\$ 302,286
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income	\$ 131,964
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase In Accounts Payable	31,105
Net Cash Provided by Operating Activities	\$ 163,069

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

**ASSETS**

Cash and Pooled Investments:	
County Treasurer	\$ 1,034,133
Other County Officials	361,093
Receivables:	
Property Tax:	
Delinquent	141
Succeeding Year	17,836,579
Accounts	20,433
Accrued Interest	78
Due From Other Governments	26,956
<b>TOTAL ASSETS</b>	<b>19,279,413</b>

**LIABILITIES**

Accounts Payable	20,102
Salaries and Benefits Payable	6,767
Due To Other Governments	18,842,365
Trusts Payable	381,971
Compensated Absences	28,208
<b>TOTAL LIABILITIES</b>	<b>19,279,413</b>

<b>NET POSITION</b>	<b>\$ 0</b>
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# Notes to Financial Statements

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## Note 1: Summary of Significant Accounting Policies

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

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

### A. REPORTING ENTITY

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

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

Blended Component Units – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Fayette County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of this individual drainage district can be obtained from the Fayette County Auditor's office.

## Notes to Financial Statements (Continued)

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

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

#### B. BASIS OF PRESENTATION

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

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

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

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

*Unrestricted net position* consists of net position 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

## Notes to Financial Statements (Continued)

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

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

The County reports the following major governmental funds:

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

#### Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

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

#### 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.

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

## Notes to Financial Statements (Continued)

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### 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, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Intangibles	75,000
Equipment and Vehicles	5,000

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

Long-Term Liabilities – In the government-wide 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.

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

## Notes to Financial Statements (Continued)

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

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

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

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Capital Projects function.

### 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.

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

### Note 3 : Interfund Transfers

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

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Basic	\$ 62,000
	Special Revenue:	
Secondary Roads	Rural Services	1,660,228
	Debt Service:	
General Basic	Debt Service	9,921
Total		\$1,732,149

## Notes to Financial Statements (Continued)

### Note 3 : Interfund Transfers (Continued)

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

### Note 4 : Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,401,591	\$ 536,500	\$ 0	\$ 1,938,091
Construction in Progress	7,008,563	2,206,494	238,995	8,976,062
Total Capital Assets Not Being Depreciated	<u>8,410,154</u>	<u>2,742,994</u>	<u>238,995</u>	<u>10,914,153</u>
Capital Assets Being Depreciated:				
Buildings	4,573,523	0	0	4,573,523
Machinery and Equipment	9,431,080	544,905	611,243	9,364,742
Infrastructure	43,306,021	275,785	0	43,581,806
Total Capital Assets Being Depreciated	<u>57,310,624</u>	<u>820,690</u>	<u>611,243</u>	<u>57,520,071</u>
Less Accumulated Depreciation For:				
Buildings	1,153,656	85,497	0	1,239,153
Machinery and Equipment	6,878,573	517,306	601,087	6,794,792
Infrastructure	16,706,142	1,052,100	0	17,758,242
Total Accumulated Depreciation	<u>24,738,371</u>	<u>1,654,903</u>	<u>601,087</u>	<u>25,792,187</u>
Total Capital Assets Being Depreciated, Net	<u>32,572,253</u>	<u>(834,213)</u>	<u>10,156</u>	<u>31,727,884</u>
Governmental Activities Capital Assets, Net	<u>\$40,982,407</u>	<u>\$1,908,781</u>	<u>\$249,151</u>	<u>\$42,642,037</u>

## Notes to Financial Statements (Continued)

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### Note 4 : Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$ 122,924
Physical Health and Social Services	1,497
Mental Health	10,115
County Environment and Education	17,167
Roads and Transportation	1,473,870
Governmental Services to Residents	27,000
Administration	<u>2,330</u>
 Total Depreciation Expense – Governmental Activities	 <u><u>\$1,654,903</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:

Fund	Description	Amount
General	Services	\$ 3,379
Special Revenue:		
Secondary Roads	Services	7,411
Gilbertson		<u>25</u>
 Total for Governmental Funds		 <u><u>\$ 10,815</u></u>
Agency:		
Agricultural Extension	Collections	\$ 198,454
Assessor		264,993
Schools		11,744,347
Community Colleges		746,701
Corporations		4,710,826
Auto License and Use Tax		415,124
All Others		<u>761,920</u>
 Total for Agency Funds		 <u><u>\$18,842,365</u></u>

## Notes to Financial Statements (Continued)

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

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

	Compensated Absences	General Obligation Bonds	Total
Balance Beginning of Year	\$396,815	\$350,000	\$746,815
Increases	391,569	0	391,569
Decreases	396,815	350,000	746,815
Balance End of Year	\$391,569	\$ 0	\$391,569
Due Within One Year	\$391,569	\$ 0	\$391,569

### Note Payable

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

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

During the year ended June 30, 2013, the County retired \$350,000 of general obligation bonds, paying the debt in full.

### Note 7: Closure and Postclosure Care Costs

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

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

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### **Note 7: Closure and Postclosure Care Costs (Continued)**

State and Federal laws and regulations required the Commission to place a final cover on its landfill site when it stopped accepting waste during the fiscal year ended June 30, 2012, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. State laws require the Commission to submit a postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper postclosure. As of June 30, 2013, the estimated liability associated with postclosure care costs had been determined. Also based on regulations, the financial assurance mechanism has been established.

### **Note 8: Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% 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 \$468,239, \$432,316, and \$385,699, respectively, equal to the required contributions for each year.

### **Note 9: Other Postemployment Benefits (OPEB)**

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 124 active and 1 retired member in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark of Iowa. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (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.

## Notes to Financial Statements (Continued)

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

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

Annual Required Contribution	\$122,247
Interest on Net OPEB Obligation	6,286
Adjustment to Annual Required Contribution	<u>(16,715)</u>
Annual OPEB Cost (Expense)	111,818
Contributions Made	<u>6,901</u>
Increase in Net OPEB Obligation	104,917
Net OPEB Obligation – Beginning of Year	<u>211,722</u>
 Net OPEB Obligation – End of the Year	 <u><u>\$316,639</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2013.

For the fiscal year 2013, the County contributed \$6,901 to the medical plan. Plan members receiving benefits contributed \$13,803, or 67% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 54,644	40.70%	\$ 57,011
2011	69,327	19.49	112,823
2012	108,673	8.99	211,722
2013	111,818	6.17	316,639

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$955,394 with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$955,394. The covered payroll (annual payroll of active employees covered by the plan) was \$4,326,678, and the ratio of the UAAL to the covered payroll was 22.08%. As of June 30, 2013, there were no trust fund assets.

## Notes to Financial Statements (Continued)

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

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

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

As of the July 1, 2011 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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

Projected claim costs of the medical plan are \$631 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

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

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### **Note 10: Risk Management**

Fayette County is a member of the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (pool) is a local government risk-sharing pool whose 10 members include counties throughout the State of Iowa. The pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability and physical damage, general liability, public officials' errors and omissions, law enforcement liability, property (which includes inland marine, extra expense and business income) and crime. Automobile liability is written on an occurrence basis and general liability, public officials errors and omissions, and law enforcement liability are written on a claims made basis.

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.

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 a 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 \$598,426.

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

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

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### **Note 10: 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 certificates, 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 five full years. Subsequent to this initial term, the member may withdraw at the end of the fifth fiscal year of a five year term, only after at least 90 days prior written notice. Withdrawal from the pool does not relieve that member of its pro rata share of the joint liability of other remaining members incurred or accrued at any time before termination. Upon withdrawal, if the member is vested then they are refunded 90 percent of its positive claims fund balance over a five year period, the remaining 10 percent is retained by the pool to cover expenses and administration costs. If the member is not vested, then they will receive 20 percent of the member's positive claims fund balance for each full year of membership. The pool reserves the right to reassess the former member up to the total amount of the returned claims fund payments if claims develop subsequent to membership termination, which have not been calculated in the reserve for incurred but not reported claims.

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

### **Note 11: Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$1,371,025.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$50,433, which is for incurred but not reported (IBNR) and reported but not paid claims (\$50,065), administrative fees (\$100) and miscellaneous fees (\$268) not paid.

## Notes to Financial Statements (Continued)

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### Note 11: Employee Health Insurance Plan (Continued)

The amounts of claims incurred but not reported are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 17,247
Incurred claims (including claims incurred but not reported at June 30, 2013)	392,068
Payments on claims during fiscal year	<u>359,250</u>
Unpaid claims end of year	<u>\$ 50,065</u>

### Note 12: Commitments and Contingencies

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

### Note 13: Related Party Transactions

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

### Note 14: Construction Commitment

The County has entered into contracts totaling \$7,948,957 for roadway projects. As of June 30, 2013 contract costs of \$7,715,545 on the projects have been incurred with an additional \$1,260,517 in local costs, bringing total construction in progress to \$8,976,062. The balance of \$233,412 remaining on the contracts at June 30, 2013 will be paid as work on the projects progress.

### Note 15: Subsequent Event

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

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property and Other County Tax	\$ 7,627,853	\$ 0	\$ 7,627,853	\$ 7,737,419	\$ 7,692,319	\$ (64,466)
Interest and Penalty on Property Tax	68,319	0	68,319	57,410	57,410	10,909
Intergovernmental	5,690,383	0	5,690,383	6,832,526	5,318,607	371,776
Licenses and Permits	60,185	0	60,185	30,550	46,217	13,968
Charges for Service	822,135	0	822,135	776,900	753,387	68,748
Use of Money and Property	88,942	0	88,942	54,590	46,964	41,978
Miscellaneous	485,099	0	485,099	314,159	835,487	(350,388)
<b>Total Receipts</b>	<b>14,842,916</b>	<b>0</b>	<b>14,842,916</b>	<b>15,803,554</b>	<b>14,750,391</b>	<b>92,525</b>
<b>DISBURSEMENTS:</b>						
Public Safety and Legal Services	3,110,025	0	3,110,025	3,111,552	3,282,253	172,228
Physical Health and Social Services	423,444	0	423,444	541,638	530,122	106,678
Mental Health	1,539,134	0	1,539,134	2,951,592	1,572,384	33,250
County Environment and Education	1,406,389	0	1,406,389	1,494,159	1,491,680	85,291
Roads and Transportation	5,309,324	0	5,309,324	5,215,850	5,333,650	24,326
Governmental Services to Residents	558,035	0	558,035	717,219	701,594	143,559
Administration	1,150,580	0	1,150,580	1,374,870	1,288,717	138,137
Non-Program	34,241	0	34,241	238,800	141,976	107,735
Debt Service	359,275	0	359,275	359,275	359,275	0
Capital Projects	943,467	0	943,467	628,800	1,007,350	63,883
<b>Total Disbursements</b>	<b>14,833,914</b>	<b>0</b>	<b>14,833,914</b>	<b>16,633,755</b>	<b>15,709,001</b>	<b>875,087</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	9,002	0	9,002	(830,201)	(958,610)	967,612
Other Financing Sources, Net	9,000	0	9,000	0	3,300	5,700
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	18,002	0	18,002	(830,201)	(955,310)	973,312
Balance Beginning of Year	4,209,080	6,336	4,202,744	2,868,031	4,202,743	1
Balance End of Year	\$ 4,227,082	\$ 6,336	\$ 4,220,746	\$ 2,037,830	\$ 3,247,433	\$ 973,313

See Accompanying Independent Auditor's Report

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,842,916	\$ 108,578	\$14,951,494
Expenditures	14,833,914	(275,155)	14,558,759
Net	9,002	383,733	392,735
Other Financing Sources	9,000	0	9,000
Beginning Fund Balances	4,209,080	836,733	5,045,813
Increase in Reserve For:			
Inventories	0	(129,993)	(129,993)
Ending Fund Balances	\$ 4,227,082	\$1,090,473	\$ 5,317,555

See Accompanying Independent Auditor's Report

**FAYETTE COUNTY**  
**West Union, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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, three budget amendments decreased budgeted disbursements by \$924,754. The final budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the capital projects function.

**FAYETTE COUNTY**  
**West Union, Iowa**

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2008	\$0	\$448	\$448	0%	\$5,058	8.85%
2011	July 1, 2008	0	448	448	0	4,942	9.06
2012	July 1, 2011	0	950	950	0	4,211	22.57
2013	July 1, 2011	0	955	955	0	4,327	22.08

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Special Revenue	
	Resource Enhancement and Protection	County Recorder's Records Management
<b>ASSETS</b>		
Cash and Pooled Investments	\$75,848	\$31,046
Receivables:		
Accounts	0	282
Accrued Interest	32	20
<b>TOTAL ASSETS</b>	<b>\$75,880</b>	<b>\$31,348</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 0	\$ 0
Due To Other Governments	0	0
Total Liabilities	0	0
Fund Balances:		
Reserved For:		
Drainage	0	0
Debt Service	0	0
Other Purposes	75,880	31,348
Total Fund Balances	75,880	31,348
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$75,880</b>	<b>\$31,348</b>

See Accompanying Independent Auditor's Report

**Schedule 1**

Special Revenue						
County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Debt Service	Total
\$676	\$3,000	\$12,795	\$6,336	\$128,894	\$6	\$258,601
0	0	0	0	105	0	387
0	1	2	0	21	0	76
\$676	\$3,001	\$12,797	\$6,336	\$129,020	\$6	\$259,064
\$ 0	\$ 30	\$ 0	\$ 0	\$ 3,469	\$0	\$ 3,499
0	0	0	0	25	0	25
0	30	0	0	3,494	0	3,524
0	0	0	6,336	0	0	6,336
0	0	0	0	0	6	6
676	2,971	12,797	0	125,526	0	249,198
676	2,971	12,797	6,336	125,526	6	255,540
\$676	\$3,001	\$12,797	\$6,336	\$129,020	\$6	\$259,064

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Special Revenue	
	Resource Enhancement and Protection	County's Recorder's Records Management
<b>REVENUES:</b>		
Property and Other County Tax	\$ 0	\$ 0
Intergovernmental	32,109	0
Charges for Service	0	4,064
Use of Money and Property	394	288
Miscellaneous	0	0
Total Revenues	32,503	4,352
<b>EXPENDITURES:</b>		
Operating:		
Public Safety and Legal Services	0	0
County Environment and Education	0	0
Governmental Services to Residents	0	2,319
Debt Service	0	0
Capital Projects	3,312	0
Total Expenditures	3,312	2,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,191	2,033
Other Financing Uses		
Transfers Out	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	29,191	2,033
Fund Balances Beginning of Year	46,689	29,315
Fund Balances End of Year	\$75,880	\$31,348

See Accompanying Independent Auditor's Report

**Schedule 2**

Special Revenue

County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Debt Service	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$296,363	\$296,363
0	0	0	0	34,185	17,176	83,470
0	0	0	0	13,737	0	17,801
2	7	28	0	291	0	1,010
0	358	2,819	0	1,457	0	4,634
2	365	2,847	0	49,670	313,539	403,278
0	439	0	0	0	0	439
0	0	0	0	32,276	0	32,276
0	0	0	0	0	0	2,319
0	0	0	0	0	323,183	323,183
0	0	0	0	0	0	3,312
0	439	0	0	32,276	323,183	361,529
2	(74)	2,847	0	17,394	(9,644)	41,749
0	0	0	0	0	(9,921)	(9,921)
2	(74)	2,847	0	17,394	(19,565)	31,828
674	3,045	9,950	6,336	108,132	19,571	223,712
\$676	\$2,971	\$12,797	\$6,336	\$125,526	\$ 6	\$255,540

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash and Pooled Investments:				
County Treasurer	\$ 0	\$ 3,299	\$(93,104)	\$ 206,558
Other County Officials	361,093	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	1	2	58
Succeeding Year	0	195,154	395,798	11,537,731
Accounts	160	0	0	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$361,253</b>	<b>\$198,454</b>	<b>\$302,696</b>	<b>\$11,744,347</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 9,412	\$ 0
Salaries and Benefits Payable	0	0	5,435	0
Due To Other Governments	826	198,454	264,993	11,744,347
Trusts Payable	360,427	0	0	0
Compensated Absences	0	0	22,856	0
<b>TOTAL LIABILITIES</b>	<b>\$361,253</b>	<b>\$198,454</b>	<b>\$302,696</b>	<b>\$11,744,347</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 13,260	\$ 76,961	\$ 5,512	\$12,556	\$415,124	\$393,967	\$ 1,034,133
0	0	0	0	0	0	361,093
4	76	0	0	0	0	141
733,437	4,633,789	338,021	0	0	2,649	17,836,579
0	0	0	0	0	20,273	20,433
0	0	0	0	0	78	78
0	0	0	0	0	26,956	26,956
<u>\$746,701</u>	<u>\$4,710,826</u>	<u>\$343,533</u>	<u>\$12,556</u>	<u>\$415,124</u>	<u>\$443,923</u>	<u>\$19,279,413</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,690	\$ 20,102
0	0	0	0	0	1,332	6,767
746,701	4,710,826	343,533	12,556	415,124	405,005	18,842,365
0	0	0	0	0	21,544	381,971
0	0	0	0	0	5,352	28,208
<u>\$746,701</u>	<u>\$4,710,826</u>	<u>\$343,533</u>	<u>\$12,556</u>	<u>\$415,124</u>	<u>\$443,923</u>	<u>\$19,279,413</u>

**FAYETTE COUNTY**  
**West Union, Iowa**

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

<b>ASSETS AND LIABILITIES</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances Beginning of Year	\$356,186	\$192,826	\$306,681	\$11,811,137
Additions:				
Property and Other County Tax	0	201,262	402,748	11,900,024
E911 Surcharge	0	0	0	0
State Tax Credits	0	11,378	12,944	706,585
Drivers License Fees	0	0	0	0
Office Fees and Collections	677,805	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	173,034	0	0	0
Miscellaneous	0	0	666	0
Total Additions	850,839	212,640	416,358	12,606,609
Deductions:				
Agency Remittances:				
To Other Funds	316,397	0	0	0
To Other Governments	299,296	207,012	420,343	12,673,399
Trusts Paid Out	230,079	0	0	0
Total Deductions	845,772	207,012	420,343	12,673,399
Balances End of Year	\$361,253	\$198,454	\$302,696	\$11,744,347

See Accompanying Independent Auditor's Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$778,951	\$4,599,177	\$331,211	\$ 10,518	\$ 439,986	\$416,717	\$19,243,390
758,047	4,783,843	348,613	0	0	8,436	18,402,973
0	0	0	0	0	111,167	111,167
45,802	263,923	19,524	0	0	10,790	1,070,946
0	0	0	0	86,765	0	86,765
0	0	0	0	0	0	677,805
0	0	0	0	0	4,065	4,065
0	0	0	0	5,996,880	0	5,996,880
0	0	0	114,565	0	0	114,565
0	0	0	0	0	599,392	772,426
0	0	0	0	0	150,516	151,182
803,849	5,047,766	368,137	114,565	6,083,645	884,366	27,388,774
0	0	0	0	222,036	0	538,433
836,099	4,936,117	355,815	112,527	5,886,471	256,153	25,983,232
0	0	0	0	0	601,007	831,086
836,099	4,936,117	355,815	112,527	6,108,507	857,160	27,352,751
\$746,701	\$4,710,826	\$343,533	\$ 12,556	\$ 415,124	\$443,923	\$19,279,413

**FAYETTE COUNTY**  
**West Union, Iowa**

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

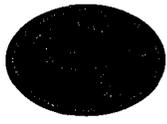
For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
Property and Other County Tax	\$ 7,638,324	\$ 7,638,053	\$ 7,449,665	\$ 7,087,274
Interest and Penalty on Property Tax	68,347	79,181	77,020	79,109
Intergovernmental	5,747,484	6,611,574	7,044,867	7,136,294
Licenses and Permits	60,860	38,130	21,130	20,055
Charges For Service	823,329	836,287	953,530	946,047
Use of Money and Property	88,440	79,529	58,389	106,718
Miscellaneous	524,710	581,623	526,382	167,079
<b>Total</b>	<b>\$14,951,494</b>	<b>\$15,864,377</b>	<b>\$16,130,983</b>	<b>\$15,542,576</b>
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	\$ 3,116,842	\$ 2,869,061	\$ 2,912,807	\$ 2,846,569
Physical Health and Social Services	439,732	418,573	452,439	463,331
Mental Health	1,319,709	2,472,476	2,387,124	2,808,937
County Environment and Education	1,406,019	1,421,442	1,360,708	1,312,631
Roads and Transportation	5,323,518	4,480,177	6,122,943	5,057,674
Governmental Services to Residents	554,594	535,869	496,688	551,755
Administration	1,150,990	1,121,594	915,361	1,004,399
Non-Program	34,329	20,893	90,584	18,975
Debt Service	359,275	352,147	353,253	1,710,900
Capital Projects	853,751	866,714	884,002	725,793
<b>Total</b>	<b>\$14,558,759</b>	<b>\$14,558,946</b>	<b>\$15,975,909</b>	<b>\$16,500,964</b>

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 6,786,120	\$ 6,547,515	\$ 6,791,909	\$ 6,114,765	\$ 5,838,552	\$ 5,493,685
61,403	61,756	58,178	56,928	54,595	67,632
7,228,246	6,381,634	5,704,492	6,210,061	6,440,864	5,442,011
21,738	12,138	12,960	13,465	11,020	10,878
1,100,754	890,214	1,010,667	770,110	721,585	884,792
119,110	113,567	112,720	85,904	44,624	36,395
643,271	293,339	698,791	625,162	380,778	318,134
<u>\$15,960,642</u>	<u>\$14,300,163</u>	<u>\$14,389,717</u>	<u>\$13,876,395</u>	<u>\$13,492,018</u>	<u>\$12,253,527</u>
\$ 2,671,416	\$ 2,614,895	\$ 2,534,123	\$ 2,521,531	\$ 2,383,632	\$ 2,276,495
465,766	441,607	465,590	500,427	492,420	490,076
2,625,384	3,008,942	2,601,046	2,084,214	2,119,523	1,998,575
1,522,890	1,178,754	1,184,908	1,193,039	1,163,043	1,208,766
5,522,067	4,945,001	4,264,820	4,757,452	4,715,512	3,867,734
526,686	481,348	447,741	423,279	466,890	433,422
1,111,843	1,062,389	1,050,785	1,007,943	902,783	874,104
5,164	5,740	5,112	5,344	5,774	5,881
359,505	355,425	350,760	350,705	350,199	349,305
1,060,787	993,184	579,272	1,664,080	947,247	531,894
<u>\$15,871,508</u>	<u>\$15,087,285</u>	<u>\$13,484,157</u>	<u>\$14,508,014</u>	<u>\$13,547,023</u>	<u>\$12,036,252</u>



**Gardiner Thomsen**  
Certified Public Accountants

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

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To the Officials of Fayette County:  
West Union, Iowa

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

Internal Control Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

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

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

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

#### Purpose of This Report

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

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

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 28, 2014

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings  
Year Ended June 30, 2013

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties

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

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

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

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

*Cause* – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

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

*Condition* – Receipts from the Iowa Department of Transportation for construction reimbursements were incorrectly coded. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

*Effect* – The intergovernmental revenues were understated, while the miscellaneous receipts were overstated. The accounts receivable and accounts payable listings were understated. The capital asset listing was not correct.

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2013

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

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

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

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Other Findings Related to Required Statutory Reporting

1. CERTIFIED BUDGET – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the capital projects function.

*Recommendation* – The budget should have been amended in accordance with Chapter 331.435 of the code of Iowa before disbursements were allowed to exceed the budget.

*Response* – We will amend the budget when required.

*Conclusion* – Response accepted.

**FAYETTE COUNTY**  
**West Union, Iowa**

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

2. QUESTIONABLE EXPENDITURES – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
3. TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. BUSINESS TRANSACTIONS – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Description	Amount
<b>Madonna Baumler, Treasurer’s Office</b>		
Baumler Implement Company, Inc. Partially Owned by Madonna’s Spouse	Parts and Repairs for Secondary Road Vehicles	\$ 17,116
<b>Rod Marlatt, Conservation Executive Director</b>		
Fauser Energy Resources Owned by Rod’s Brother In Law	Diesel Fuel, Propane, Oil	302,854
<b>Marty Stanbrough and Gary Streif, Secondary Roads</b>		
Owners of Dust Busters	Dust Control	480
<b>MaryAnn Knapp, Engineer’s Office</b>		
Emily Sue Knapp, Sister In Law	Temporary Office Help in Engineer’s Office	2,594
<b>Lori Moellers, Auditor</b>		
Theresa Moellers, Mother In Law	Election Worker	149

In accordance with Chapter 331.342 of the code of Iowa, the transactions with Dust Busters and Theresa Moellers do not appear to represent conflicts of interest as total transactions were less than \$1,500.

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

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Baumler Implement Company, Inc., and Emily Sue Knapp do not appear to represent conflicts of interest as neither Madonna Baumler, nor Mary Ann Knapp were directly involved in acquiring the services from Baumler Implement Company, Inc. and Emily Sue Knapp.

**FAYETTE COUNTY**  
**West Union, Iowa**

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

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

6. BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on March 11, 2013 to discuss matters relating to the County. The minutes record does not document the final action taken in open session.

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

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

*Conclusion* – Response accepted.

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

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

9. ECONOMIC DEVELOPMENT – During the year ended June 30, 2013, the County paid \$84,570 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

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

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

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2013

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

11. SPECIAL APPRAISER'S TRANSFER – The County did not transfer funds from the Special Appraiser Fund to the Assessment Expense Fund as required by House File 254.

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

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

*Conclusion* – Response accepted.