Financial Statements
June 30, 2013

Louisa County

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Louisa County

Name	Title	Term Expires
Randy Griffin	Board of Supervisors	December 2014
Chris Ball	Board of Supervisors	December 2016
Paula Buckman	Board of Supervisors	December 2016
Sandi Elliot	County Auditor	December 2016
Vicki Frank	County Treasurer	December 2014
Leanne Black	County Recorder	December 2014
Brad Turner	County Sheriff	December 2016
Adam Parsons	County Attorney	December 2014
Gregory Johnson	County Assessor	*

* Appointed by County

Independent Auditor's Report

To the Officials of Louisa County:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2013, 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.

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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 Louisa County, Iowa, as of June 30, 2013, and the respective changes in financial position 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 and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Louisa County, Iowa's 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 unqualified opinions on those financial statements. The list of county officials, combining nonmajor fund financial statements, and the schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements, the schedule of revenues by source and expenditures by function, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the schedule of revenues by source and expenditures by function, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of county officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Dubuque, Iowa
February 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased approximately $2,664,000 (18%) from $15,067,000 for fiscal year 2012 to $12,403,000 for fiscal year 2013. This was largely due to a decrease in Operating Grants and Capital Grants of $2,801,000 from prior year. In 2012, Roads and Transportation received a capital grant for the paving of the Great River Road, and this accounted for over half of the decline in revenue between 2012 and 2013. Flood mitigation funds of $1,238,000 received in 2012 was a large part of the remaining decrease in revenue from prior year. Revenue from Property and other County tax increased approximately $100,000 or 1.6% over prior year; from $6,104,000 to $6,204,000.

- Program expenses decreased by approximately $1,202,000 (11%) from prior year, decreasing from $11,081,000 in fiscal year 2012 to $9,879,000 in fiscal year 2013. This decrease was nearly all due to the State taking over from the counties the Medicaid payments for mental health disabilities. Other expenses were in line with prior year.

- Although revenues were down from prior year, revenues in 2013 exceeded expenses by $2,523,000, increasing the County's Net Position (formerly reported as Net Assets) by the same amount. Net Position increased from $27,229,000 on June 30, 2012 to a balance of $29,752,000 on June 30, 2013. The County's gross assets increased approximately $2,005,000, from $39,465,000 on June 30, 2012 to $41,670,000 on June 30, 2013. This was due to an increase in depreciable infrastructure assets and construction in process (roads) as well as a $547,000 increase in cash. Total liabilities decreased from $12,236,000 on June 30, 2012 to $11,918,000 on June 30, 2013 due to a decrease in Accounts Payable and Bonds Payable.

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 Louisa 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 Louisa 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 Louisa County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to the 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.

Other Supplementary Information provides detailed information about the non-major Governmental Funds, Special Revenue Funds, and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's financial statements 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.

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 tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two 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 Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) Non-major Governmental Funds. 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) 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 statements for fiduciary funds include a statement of fiduciary assets and liabilities.

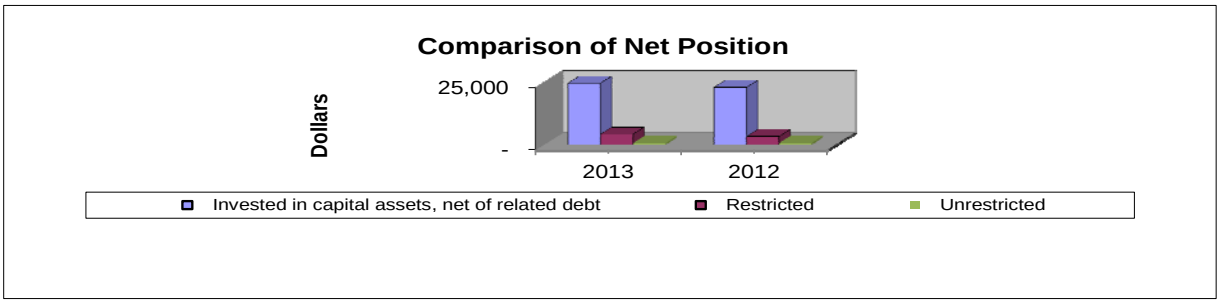
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position, and the changes in asset balances over time, can serve as a useful indicator of financial position. As noted earlier, Louisa County's combined net position increased from $27.2 million to $29.8 million. The analysis that follows focuses on the changes in net position of governmental activities.

Net Position of Governmental Activities
(Expressed in Thousands)

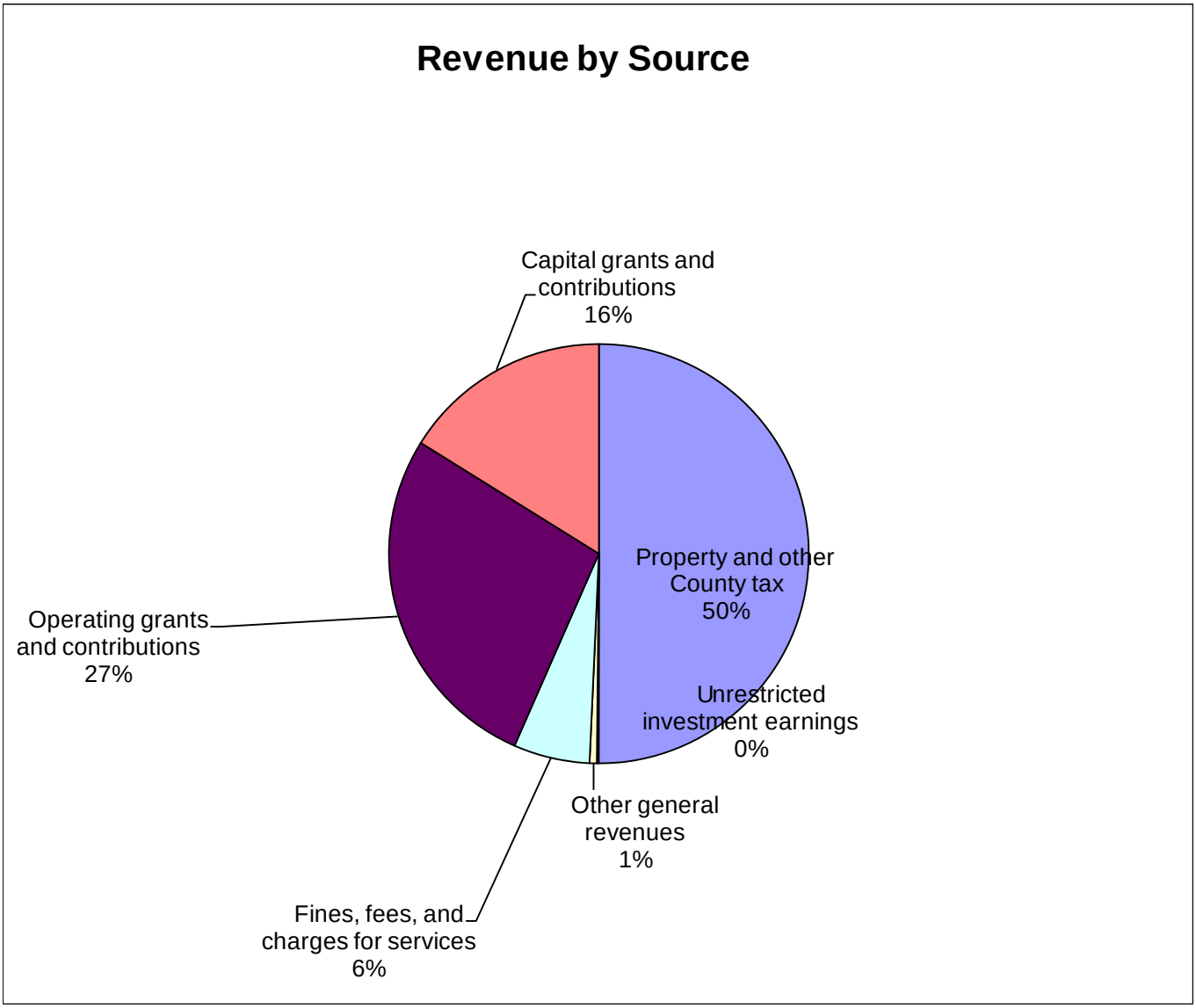
	June 30, 2013	June 30, 2012
Current and Other Assets	$ 14,061	$ 13,317
Capital Assets	27,609	26,148
Total assets	41,670	39,465
Long-Term Liabilities	5,742	5,962
Other Liabilities	6,176	6,274
Total liabilities	11,918	12,236
Net Position:		
Net investment in capital assets	24,764	23,072
Restricted	4,281	3,419
Unrestricted	707	738
Total net position	$ 29,752	$ 27,229

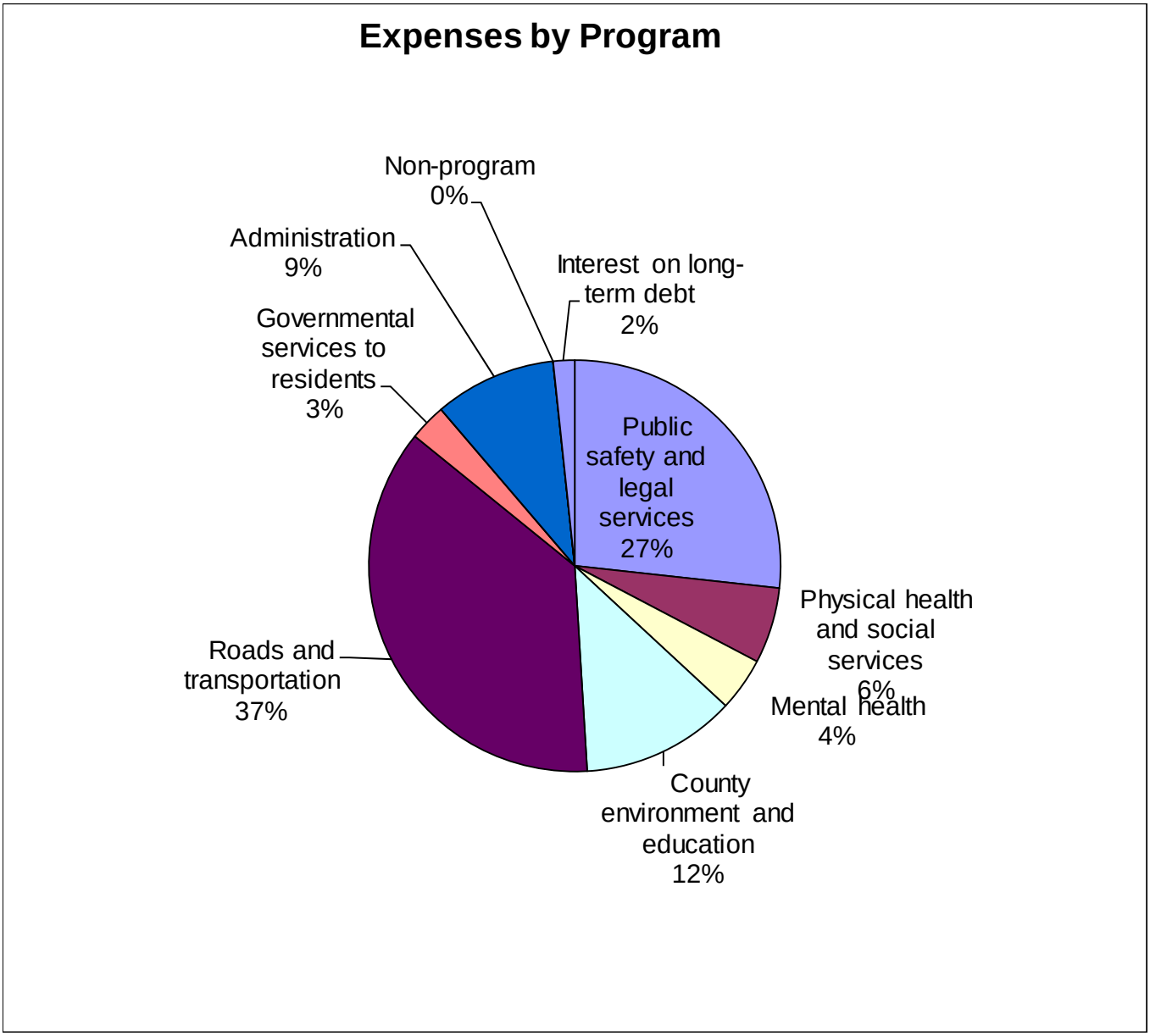


Net position of Louisa County's governmental activities increased by $2.5 million or 9% from prior year; from $27.2 million to $29.8 million. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from approximately $738,000 on June 30, 2012, to $707,000 at the end of this fiscal year.

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

	Year Ended June 30,	
	2013	2012
Program Revenues:		
Fines, fees, and charges for services	$ 728	$ 703
Operating grants and contributions	3,384	3,944
Capital grants and contributions	2,001	4,242
General Revenues:		
Property and other County tax	6,204	6,104
Unrestricted investment earnings	17	8
Other general revenues	69	66
Total revenues	12,403	15,067
Program Expenses:		
Public safety and legal services	2,641	2,542
Physical health and social services	589	542
Mental health	415	1,606
County environment and education	1,199	1,706
Roads and transportation	3,636	3,274
Governmental services to residents	287	313
Administration	945	954
Non-program	1	1
Interest on long-term debt	166	143
Total expenses	9,879	11,081
Increase in Net Position	2,523	3,986
Net Position Beginning of the Year	27,229	23,243
Net Position End of the Year	$ 29,752	$ 27,229


Revenue by Source
Capital grants and contributions 16%
Property and other County tax 50%
Operating grants and contributions 27%
Unrestricted investment earnings 0%
Other general revenues 1%
Fines, fees, and charges for services 6%


Expenses by Program
Non-program 0%
Administration 9%
Interest on long-term debt 2%
Governmental services to residents 3%
Public safety and legal services 27%
Physical health and social services 6%
Mental health 4%
Roads and transportation 37%
County environment and education 12%

Revenues from governmental activities during fiscal year 2013, which includes Program Revenues and General Revenues, decreased by approximately $2,664,000 from the prior year; from $15,067,000 to $12,403,000. The County's Program Revenues decreased by $2,776,000 from approximately $8,889,000 in 2012 to $6,113,000 in 2013. This decrease was principally due to a decrease in capital grants and contributions of $2,240,000. In 2012, Roads and Transportation received a capital grant for the paving of the Great River Road, and this accounted for over half of the decline in revenue between 2012 and 2013. Flood mitigation funds of $1,238,000 received in 2012 was a large part of the remaining decrease in revenue from prior year. General Revenues, which comes mostly from property and other county tax, increased by approximately $112,000 or 2%; from $6,178,000 to $6,290,000.

The cost of all governmental activities during fiscal year 2013 decreased approximately $1,202,000 or 11%; from $11,081,000 in 2012 to $9,879,000 in 2013. This decrease was nearly all due to the State taking over from the counties the Medicaid payments for mental health disabilities. Property and other county taxes of $6,204,000 finance about 63% of these expenses, and program revenues covered the remaining portion. Program revenues are derived mostly from grants and contributions from other governments and organizations that subsidized certain programs. Program revenues also included $728,000 collected in fines, fees and charges for services, which was an increase of $26,000 over last year.

INDIVIDUAL MAJOR FUND ANALYSIS

- As Louisa County completed the year, its governmental funds reported a combined fund balance of $7,055,000, an increase of $580,000 over prior year. (See Exhibit C of the financial statements.)

- As shown in Exhibit E of the financial statements, General Fund Revenue of $5,201,000 was down from prior year by $184,000. General Fund Expenditures of $5,120,000 increased by $26,000 over prior year. The ending General Fund balance showed a small increase of approximately $20,000 from the prior year to approximately $1,355,000.

- Rural Services Fund revenues increased by $14,000 compared to prior year while expenses increased $136,000. The ending fund balance showed a decrease of approximately $45,000 from the prior year to approximately $96,000.

- Secondary Roads Fund revenues of $2,399,000 were down $1,226,000 from prior year. Expenditures of $3,460,000 were down $1,570,000 from prior year. The Secondary Roads Fund's ending fund balance increased by $56,000 to $1,346,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the budget two times. An amendment was made in October to split out Case Management from the Mental Health Fund due to state-mandated redesign of county mental health services. Revenue and expenses were also increased by $220,000 for pass-through demolition dollars. A budget amendment was made in May to allow increased appropriations of $67,000 for minor changes to income and expenses for various departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the County had approximately $27.6 million invested in a broad range of capital assets, including buildings, park facilities, roads and bridges.

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

	June 30,	
	2013	2012
Land	$ 7,929	$ 7,856
Construction in Progress	1,383	995
Buildings and Improvements	4,650	4,774
Machinery and Equipment	837	842
Infrastructure	12,809	11,681
Total	$ 27,608	$ 26,148

The County had depreciation expense of approximately $906,000 for the year ended June 30, 2013, and total accumulated depreciation of approximately $9,429,000 on June 30, 2013. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Liabilities

At June 30, 2013, Louisa County had approximately $5,742,000 in bond debt and other long-term liabilities, as shown below.

Outstanding Long-Term Liabilities of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30, 2013	June 30, 2012
General Obligation Bonds	$ 5,395	$ 5,630
Net OPEB Liability	88	57
Compensated Absences	259	275
Total	$ 5,742	$ 5,962

Louisa County had debt outstanding at June 30, 2013 of $5,395,000. The bonds will be paid with revenue from the Local Option Sales and Services Tax. Louisa County does not have a tax for debt service.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Louisa County's outstanding general obligation debt is significantly below this $31 million limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2014 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. The Board interprets economic situation from the knowledge they have from news, local conditions and information from the Iowa State Association of Counties. Louisa County has a small population of approximately 11,278, a decline of about 900 in the past decade, which has an impact on the local economy.

For fiscal year 2014, countywide valuation increased about $3 million, which provided $18,600 additional tax and utility replacement dollars. Each year, the Compensation Board recommends salaries for elected officials, subject to approval by the Board of Supervisors. For fiscal year 2014, the Board approved an increase in salaries for the elected officials that ranged from 0% for the county supervisors, 1.2% for the sheriff, 2% for the county attorney, and 1.25% for the other elected officials. The transfer from Rural Services to Secondary Roads for fiscal year 2014 will be $1,129,608, and increase of about $12,000 over prior year. Based on approved budgets for 2014 fiscal year, changes in tax rates from prior year were as follows:

Levy	Fiscal Year 2013	Fiscal Year 2014	Change
General Basic	$4.20618	$4.20618	$0.00000
General Supplemental	$1.90855	$1.96401	$0.05546
Rural Services Basic	$2.72366	$2.77912	$0.05546
Mental Health	$1.00302	$0.89210	-$0.11092
Total	$9.84141	$9.84141	$0.00000

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, Louisa County, 117 S. Main, Wapello, Iowa.

Basic Financial Statements

Louisa County

	Governmental Activities
Assets	
Cash and Pooled Investments	$ 4,669,461
Receivables:	
Property tax:	
Delinquent	24,005
Succeeding year	5,595,069
Interest and penalty on property tax	48,679
Accounts	12,715
Due from Other Governments	1,152,921
Prepaid Expenses	101,194
Resources Held in Escrow for Bond Refunding	2,456,996
Capital Assets:	
Capital assets, not being depreciated	9,312,593
Capital assets (net of accumulated depreciation)	18,296,522
Total assets	41,670,155
Liabilities	
Accounts Payable	509,787
Salaries and Benefits Payable	58,076
Accrued Interest Payable	13,165
Unearned Revenue:	
Succeeding year property tax	5,595,069
Long-Term Liabilities:	
Portion due or payable within one year:	
Bonds payable	245,000
Compensated absences	212,452
Portion due or payable after one year:	
Bonds payable	5,150,488
Compensated absences	46,516
Net OPEB liability	87,902
Total liabilities	11,918,455

	Governmental Activities
Net Position	
Net Investment in Capital Assets	$ 24,763,965
Restricted For:	
Supplemental levy purposes	288,754
Rural services purposes	96,191
Mental health purposes	387,330
Secondary roads purposes	2,095,900
Other purposes	1,412,813
Unrestricted	706,747
Total net position	$ 29,751,700

	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Functions/Programs:					
Governmental Activities:					
Public safety and legal services	$ 2,641,030	$ 236,050	$ 10,280	$ -	$ (2,394,700)
Physical health and social services	589,085	165,179	210,841	-	(213,065)
Mental health	415,051	138	160,104	-	(254,809)
County environment and education	1,199,402	74,547	659,916	29,784	(435,155)
Roads and transportation	3,635,929	19,576	2,332,969	1,971,474	688,090
Governmental services to residents	287,301	195,631	-	-	(91,670)
Administration	944,757	36,782	9,571	-	(898,404)
Non-program	1,479	-	-	-	(1,479)
Interest on long-term debt	165,935	-	-	-	(165,935)
Total Governmental Activities	$ 9,879,969	$ 727,903	$ 3,383,681	$ 2,001,258	(3,767,127)
General Revenues:					
Property and other County tax levied for:					
General purposes					5,398,586
Penalty and interest on property tax					51,180
State tax credits					197,281
Local option sales tax					557,160
Unrestricted investment earnings					16,845
Miscellaneous					68,869
Total General Revenues					6,289,921
Change in Net Position					2,522,794
Net Position Beginning of Year					27,228,906
Net Position End of Year					$ 29,751,700

	General	Special Revenue	
		Rural Services	Secondary Roads
Assets			
Cash and pooled investments	$ 1,251,943	$ 97,835	$ 1,595,234
Receivables:			
Property tax:			
Delinquent	17,669	3,438	-
Succeeding year	3,717,775	1,339,768	-
Interest and penalty on property tax	48,679	-	-
Accounts	12,377	-	200
Due from other governments	138,995	-	923,928
Prepaid expenses	83,051	1,999	13,908
Resources held in escrow for bond refunding	-	-	-
Total assets	$ 5,270,489	$ 1,443,040	$ 2,533,270
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 83,311	$ -	$ 410,204
Salaries and benefits payable	27,118	3,792	27,166
Deferred revenue:			
Succeeding year property tax	3,717,775	1,339,768	-
Other	86,651	3,289	750,128
Total liabilities	3,914,855	1,346,849	1,187,498
Fund Balances:			
Nonspendable	83,051	1,999	13,908
Restricted	288,754	94,192	1,331,864
Unassigned	983,829	-	-
Total fund balances	1,355,634	96,191	1,345,772
Total liabilities and fund balances	$ 5,270,489	$ 1,443,040	$ 2,533,270

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ 580	$ 1,723,869	$ 4,669,461
-	2,898	24,005
-	537,526	5,595,069
-	-	48,679
-	138	12,715
-	89,998	1,152,921
-	2,236	101,194
2,456,996	-	2,456,996
$ 2,457,576	$ 2,356,665	$ 14,061,040
$ -	$ 16,272	$ 509,787
-	-	58,076
-	537,526	5,595,069
-	2,724	842,792
-	556,522	7,005,724
-	2,236	101,194
2,457,576	1,797,907	5,970,293
-	-	983,829
2,457,576	1,800,143	7,055,316
$ 2,457,576	$ 2,356,665	$ 14,061,040

Total Governmental Fund Balances		$ 7,055,316
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. These assets consist of:		
Land	$ 7,929,268	
Construction in progress	1,383,325	
Infrastructure, net of $3,503,240 accumulated depreciation	12,809,388	
Buildings and improvements, net of $1,561,546 accumulated depreciation	4,650,293	
Machinery and equipment, net of $4,364,574 accumulated depreciation	836,841	
Total capital assets		27,609,115
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds:		
Property taxes and intergovernmental		842,792
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at June 30, 2013, are:		
Accrued interest on bonds	(13,165)	
Bonds payable	(5,395,488)	
Compensated absences	(258,968)	
Net OPEB liability	(87,902)	
Total long-term liabilities		(5,755,523)
Net Assets of Governmental Activities		$ 29,751,700

	General	Special Revenue: Rural Services	Special Revenue: Secondary Roads
Revenues:			
Property and other County tax	$ 3,532,425	$ 1,273,635	$ -
Interest and penalty on property tax	51,180	-	-
Intergovernmental	981,956	42,094	2,377,091
Licenses and permits	15,592	-	1,450
Charges for service	540,375	-	83
Use of money and property	30,307	-	-
Miscellaneous	48,757	-	20,090
Total revenues	5,200,592	1,315,729	2,398,714
Expenditures:			
Operating:			
Public safety and legal services	2,381,682	146,457	-
Physical health and social services	610,992	-	-
Mental health	155,836	-	-
County environment and education	767,532	71,315	-
Roads and transportation	-	25,000	3,349,173
Governmental services to residents	272,128	-	-
Administration	903,241	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	28,709	-	110,996
Total expenditures	5,120,120	242,772	3,460,169
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,472	1,072,957	(1,061,455)
Other Financing Sources (Uses):			
Sale of capital assets	4,802	-	-
Transfers in	-	-	1,117,761
Transfers out	(65,000)	(1,117,761)	-
Total Other Financing Sources (Uses)	(60,198)	(1,117,761)	1,117,761
Net Change in Fund Balances	20,274	(44,804)	56,306
Fund Balances Beginning of Year	1,335,360	140,995	1,289,466
Fund Balances End of Year	$ 1,355,634	$ 96,191	$ 1,345,772

See Notes to Financial Statements

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 1,139,163	$ 5,945,223
-	-	51,180
-	435,809	3,836,950
-	-	17,042
-	3,591	544,049
11,523	289	42,119
-	1,474	70,321
11,523	1,580,326	10,506,884
-	12,982	2,541,121
-	-	610,992
-	253,605	409,441
-	404,648	1,243,495
-	-	3,374,173
-	6,417	278,545
-	-	903,241
-	1,479	1,479
407,942	-	407,942
-	21,452	161,157
407,942	700,583	9,931,586
(396,419)	879,743	575,298
-	-	4,802
357,190	65,000	1,539,951
-	(357,190)	(1,539,951)
357,190	(292,190)	4,802
(39,229)	587,553	580,100
2,496,805	1,212,590	6,475,216
$ 2,457,576	$ 1,800,143	$ 7,055,316

Exhibit F – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds		$ 580,100
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 733,785	
Contributed capital assets	1,636,652	
Depreciation expense	(906,012)	
		1,464,425
In the Statement of Activities, only the gain or the loss of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balances by the book value of assets being disposed.		(3,640)
Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.		
Repayments		235,000
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	10,332	
Miscellaneous revenue	(11,293)	
Grant proceeds	255,386	
		254,425
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:		
Interest on debt	7,958	
Amortization of bond discount	(951)	
Compensated absences	16,358	
Net OPEB liability	(30,881)	
		(7,516)
Change in Net Position of Governmental Activities		$ 2,522,794

Assets	
Cash and Pooled Investments:	
County Treasurer	$ 924,759
Other County officials	5,874
Drainage districts	225,127
Receivables:	
Property tax:	
Delinquent	73,905
Succeeding year	12,024,802
Drainage assessments	1,634
Special assessments	33,196
Prepaid Expenses	17,403
Total assets	13,306,700
Liabilities	
Accounts Payable	23,399
Due to Other Governments	13,283,301
Total liabilities	13,306,700
Net Position	$ -

Note 1 - Summary of Significant Accounting Policies

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

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

Reporting Entity

For financial reporting purposes, Louisa 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 Louisa County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

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

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

Jointly Governed Organizations

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

Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue Funds – 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 Rural Services Funds, and other revenues to be used for secondary road construction and maintenance.

Debt Service – The Debt Service Fund is utilized to account for revenues to be used for the payment of interest and principal on the County's general long term debt.

Additionally, the County reports the following fund types:

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term 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 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 either using restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

Assets, Liabilities, and Fund Equity

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

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

Resources Held in Escrow for Bond Refunding – As part of a crossover bond refunding, the County has purchased special obligations of the U.S. Treasury. They are held in escrow and will mature to fund the debt service requirements of the refunded debt through June 1, 2015.

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

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

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

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which are due and payable but have 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 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.

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 County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	$ 50,000
Intangibles	50,000
Land, buildings, and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building improvements	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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

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

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

Unearned 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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide 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 absences 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, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Supervisors has provided otherwise in its commitment or assignment actions.

Fund Balance Classification	Purpose	Fund	Amount
Nonspendable	Prepaids	General	$ 83,051
		Secondary Roads	13,908
		Rural Services	1,999
		Non-major Governmental Funds	2,236
			$ 101,194
Restricted	Supplemental Levy Purposes	General	$ 288,754
	Rural Services	Rural Services	94,192
	Secondary Roads	Secondary Roads	1,331,864
	Mental Health	Non-major Governmental Funds	385,094
	Debt Service	Non-major Governmental Funds	1,065,344
		Debt Service	2,457,576
	Flood Grants	Non-major Governmental Funds	4,479
	Records Management	Non-major Governmental Funds	9,671
	Conservation	Non-major Governmental Funds	85,421
	Drainage	Non-major Governmental Funds	47,429
	Investigations	Non-major Governmental Funds	38,515
	Projects	Non-major Governmental Funds	161,954
			$ 5,970,293

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements did not exceed the amount budgeted for any functions.

Note 2 - Cash and Pooled Investments

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

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

The County’s only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $3,093,680 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk. The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) 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. The County did not hold any investments with a maturity greater than 397 days during the year.

Credit Risk. The County’s investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The County did not invest in any commercial paper or other corporate debt during the year. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk. The County’s investment policy does not allow for a prime bankers’ acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The County held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County’s deposits are 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County did not hold any investments with a counterparty during the year ended June 30, 2013.

Note 3 - Interfund Transfers

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

Transfer to	Transfer from	Amount
Secondary Roads	Rural Services	$ 1,117,761
Debt Service	Nonmajor Governmental Funds	357,190
Nonmajor Governmental Funds	General	65,000
		$ 1,539,951

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 and land improvements	$ 7,855,849	$ 73,419	$ -	$ 7,929,268
Construction in progress	994,753	2,025,224	1,636,652	1,383,325
Total capital assets, not being depreciated	8,850,602	2,098,643	1,636,652	9,312,593
Capital assets being depreciated:				
Buildings and improvements	6,211,839	-	-	6,211,839
Machinery and equipment	5,080,738	271,794	151,117	5,201,415
Infrastructure	14,675,976	1,636,652	-	16,312,628
Total capital assets, being depreciated	25,968,553	1,908,446	151,117	27,725,882
Less accumulated depreciation for:				
Buildings and improvements	1,437,533	124,013	-	1,561,546
Machinery and equipment	4,238,910	273,141	147,477	4,364,574
Infrastructure	2,994,382	508,858	-	3,503,240
Total accumulated depreciation	8,670,825	906,012	147,477	9,429,360
Total capital assets, being depreciated, net	17,297,728	1,002,434	3,640	18,296,522
Governmental Activities Capital Assets, Net	$ 26,148,330	$ 3,101,077	$ 1,640,292	$ 27,609,115

Depreciation expense was charged to the following functions of the County:

Governmental Activities:	
Public safety and legal services	$ 112,213
Physical health and social services	6,512
Mental health	2,987
County environment and education	40,453
Roads and transportation	710,656
Governmental services to residents	8,892
Administration	24,299
Total depreciation expense - governmental activities	$ 906,012

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
Agency:		
County Recorder	Collections	$ 5,806
County Sheriff		68
Agricultural Extension Education		183,669
County Assessor		442,224
Schools		9,336,853
Community Colleges		589,022
Corporations		1,453,363
Townships		272,302
Auto License and Use Tax		235,336
Brucellosis and Tuberculosis Eradication		2,922
Fire Districts		140,331
E911 Surcharge		194,702
Joint Disaster Services		2,567
City Special Assessments		47,709
Drainage Districts		376,178
County Recorder's Electronic Fee		249
Total for agency funds		$ 13,283,301

Note 6 - Long-Term Liabilities

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

	General Obligation Bonds	Unamortized Bond Discounts	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	$ 5,640,000	$ (10,463)	$ 275,326	$ 57,021	$ 5,961,884
Increases	-	-	202,201	30,881	233,082
Decreases	235,000	(951)	218,559	-	452,608
Balance End of Year	$ 5,405,000	$ (9,512)	$ 258,968	$ 87,902	$ 5,742,358
Due Within One Year	$ 245,000	$ -	$ 212,452	$ -	$ 457,452

During 2012, the County issued $2,520,000 in general obligation refunding bonds. The proceeds of the refunding bonds were used to crossover refund $2,390,000 of the general obligation local option sales tax bonds, representing the 2016 through 2023 maturities. These maturities will be called for redemption on June 1, 2015. Until then, the proceeds of the refunding bonds will be deposited in an escrow account and invested in special obligations of the U.S. Treasury for the purpose of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments by $123,753 and to obtain an economic gain of $110,224.

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

Bonds Payable

A summary of the County’s June 30, 2013, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.40%	$ 245,000	$ 157,982	$ 402,982
2015	3.55%	2,640,000	149,652	2,789,652
2016	1.60%	300,000	43,930	343,930
2017	1.60%	305,000	39,130	344,130
2018	1.60%	305,000	34,250	339,250
2019-2023	1.60-2.10%	1,610,000	93,530	1,703,530
Total		$ 5,405,000	$ 518,474	$ 5,923,474

Note 7 - Pension and Retirement Benefits

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

Most 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 payroll. 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 $317,957, $308,291, and $257,059, respectively, equal to the required contributions for each year.

Note 8 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013, were $142,912.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $10,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 68 active and 2 retired members in the Plan. Participants must be age 55 or older at retirement. The Plan does not issue a stand-alone financial report.

The medical coverage, which is a fully-insured medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Changes in OPEB Obligation:	
Annual Required Contribution	$ 46,457
Interest on Net OPEB Obligation	2,281
Adjustments to Annual Required Contribution	(2,266)
Annual OPEB cost (expense)	46,472
Contributions Made	15,591
Increase in net OPEB obligation	30,881
Net OPEB Obligation, Beginning of Year	57,021
Net OPEB Obligation, End of Year	$ 87,902

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

For the year ended June 30, 2013, the County contributed an estimated $15,591 to the medical plan. Plan members eligible for benefits contributed $11,069 or 100% 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 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 46,472	33.5%	$ 87,902
June 30, 2012	27,662	31.3%	57,021
June 30, 2011	27,662	31.3%	38,014

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $376,790, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $376,790. The covered payroll (annual payroll of active employees covered by the Plan) was approximately $3,571,593 and the ratio of the UAAL to covered payroll was 10.5%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012, actuarial valuation date, the Projected Unit Credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate medical trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Mortality Table.

Projected claim costs of the medical plan are $931 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10 - Subsequent Events

In July 2013, the County entered into a $9.6 million contract for the construction of County Road X99 Bridge over the Iowa River. The project will be funded 97% by federal grants and 3% by County funds. In December 2013, the County authorized a $2,500,000 loan to be available if needed to finance the project.

Note 11 - Prospective Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by Louisa County. The statements which might impact Louisa County are as follows:

Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

The County’s management has not yet determined the effect these statements will have on the County’s financial statements.

Required Supplementary Information
June 30, 2013

Louisa County

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	Governmental Funds Actual	Budgeted Amounts Original	Budgeted Amounts Final
Receipts:			
Property and other County tax	$ 5,922,100	$ 5,949,307	$ 5,949,307
Interest and penalty on property tax	51,180	41,000	41,680
Intergovernmental	3,821,708	10,025,474	10,028,874
Licenses and permits	21,895	15,909	32,909
Charges for service	547,670	526,060	539,760
Use of money and property	31,642	34,160	42,060
Miscellaneous	48,286	72,051	72,051
Total receipts	10,444,481	16,663,961	16,706,641
Disbursements:			
Public safety and legal services	2,522,290	2,529,438	2,529,438
Physical health and social services	607,617	642,980	696,946
Mental health	692,669	1,336,451	1,336,451
County environment and education	1,250,153	4,075,576	4,095,096
Roads and transportation	3,135,145	3,189,395	3,189,395
Governmental services to residents	280,384	310,054	333,877
Administration	918,757	955,438	966,284
Non-program	-	100,000	101,860
Debt service	362,439	357,190	362,440
Capital projects	142,472	3,354,848	3,354,848
Total disbursements	9,911,926	16,851,370	16,966,635
Deficiency of Receipts Under Disbursements	532,555	(187,409)	(259,994)
Other Financing Sources, Net	12,097	-	5,250
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	544,652	(187,409)	(254,744)
Balance Beginning of Year	4,011,578	4,011,578	4,011,578
Balance End of Year	$ 4,556,230	$ 3,824,169	$ 3,756,834

Reconciliation Between Cash and Modified Accrual Basis:

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 10,444,481	$ 62,403	$ 10,506,884
Expenditures	9,911,926	19,660	9,931,586
Net	532,555	42,743	575,298
Other Financing Sources, Net	12,097	(7,295)	4,802
Beginning Fund Balances	4,011,578	2,463,638	6,475,216
Ending Fund Balances	$ 4,556,230	$ 2,499,086	$ 7,055,316

Final to Net Variance - Positive (Negative)
$ (27,207)
9,500
(6,207,166)
(11,014)
7,910
(10,418)
(23,765)
(6,262,160)
7,148
89,329
643,782
2,844,943
54,250
53,493
47,527
101,860
1
3,212,376
7,054,709
792,549
6,847
799,396
-
$ 799,396

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, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $115,265. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted for any function.

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)
2013	7/1/2012	$ -	$ 376,790	$ 376,790	0.00%	$ 3,571,593	10.55%
2012	7/1/2009	-	245,137	245,137	0.00%	3,641,921	6.73%
2011	7/1/2009	-	245,137	245,137	0.00%	3,372,434	7.27%

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

Other Supplementary Information
June 30, 2013

Louisa County

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	Mental Health	Local Option Sales Tax	County Grants	Special County Recorder's Records Management
Assets				
Cash and Pooled Investments	$ 399,357	$ 975,373	$ 4,479	$ 9,671
Receivables:				
Property tax				
Delinquent	2,898	-	-	-
Succeeding year	537,526	-	-	-
Accounts	138	-	-	-
Due from other governments	27	89,971	-	-
Prepaid expenses	2,236	-	-	-
Total assets	$ 942,182	$ 1,065,344	$ 4,479	$ 9,671
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 14,602	$ -	$ -	$ -
Deferred revenues:				
Succeeding year property tax	537,526	-	-	-
Other	2,724	-	-	-
Total liabilities	554,852	-	-	-
Fund Balances:				
Nonspendable	2,236	-	-	-
Restricted	385,094	1,065,344	4,479	9,671
Total fund balances	387,330	1,065,344	4,479	9,671
Total liabilities and fund balances	$ 942,182	$ 1,065,344	$ 4,479	$ 9,671

Revenue				
Resource Enhancement and Protecton	Drainage Districts	Confidential Investigation	Capital Projects	Total
$ 85,421	$ 48,908	$ 38,706	$ 161,954	$ 1,723,869
-	-	-	-	2,898
-	-	-	-	537,526
-	-	-	-	138
-	-	-	-	89,998
-	-	-	-	2,236
$ 85,421	$ 48,908	$ 38,706	$ 161,954	$ 2,356,665
$ -	$ 1,479	$ 191	$ -	$ 16,272
-	-	-	-	537,526
-	-	-	-	2,724
-	1,479	191	-	1,670
-	-	-	-	2,236
85,421	47,429	38,515	161,954	1,797,907
85,421	47,429	38,515	161,954	1,800,143
$ 85,421	$ 48,908	$ 38,706	$ 161,954	$ 2,356,665

	Mental Health	Local Option Sales Tax	County Grants	Special County Recorder's Records Management
Revenues:				
Property and other County tax	$ 579,990	$ 557,160	$ -	$ -
Intergovernmental	23,411	-	392,430	-
Charges for service	-	-	-	2,539
Use of money and property	-	-	-	164
Miscellaneous	649	-	-	-
Total revenues	604,050	557,160	392,430	2,703
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Mental health	253,605	-	-	-
County environment and education	-	-	404,648	-
Governmental services to residents	-	-	-	6,417
Non-program	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	253,605	-	404,648	6,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	350,445	557,160	(12,218)	(3,714)
Other Financing Sources:				
Transfers in	-	-	-	-
Transfers out	-	(357,190)	-	-
Total Other Financing Sources	-	(357,190)	-	-
Net Change in Fund Balances	350,445	199,970	(12,218)	(3,714)
Fund Balances Beginning of Year	36,885	865,374	16,697	13,385
Fund Balances End of Year	$ 387,330	$ 1,065,344	$ 4,479	$ 9,671

Revenue				
Resource Enhancement and Protecton	Drainage Districts	Confidential Investigation	Capital Projects	Total
$ -	$ 2,013	$ -	$ -	$ 1,139,163
9,780	-	10,188	-	435,809
-	-	1,052	-	3,591
125	-	-	-	289
-	-	825	-	1,474
9,905	2,013	12,065	-	1,580,326
-	-	12,982	-	12,982
-	-	-	-	253,605
-	-	-	-	404,648
-	-	-	-	6,417
-	1,479	-	-	1,479
-	-	-	21,452	21,452
-	1,479	12,982	21,452	700,583
9,905	534	(917)	(21,452)	879,743
-	-	-	65,000	65,000
-	-	-	-	(357,190)
-	-	-	65,000	(292,190)
9,905	534	(917)	43,548	587,553
75,516	46,895	39,432	118,406	1,212,590
$ 85,421	$ 47,429	$ 38,515	$ 161,954	$ 1,800,143

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
County Auditor				
Assets:				
Cash and pooled investments:				
Other County officials	$ -	$ 471	$ 471	$ -
Liabilities:				
Due to other funds	$ -	$ 471	$ 471	$ -
County Recorder				
Assets:				
Cash and pooled investments:				
Other County officials	$ 7,856	$ 183,451	$ 185,501	$ 5,806
Liabilities:				
Due to other funds	$ -	$ 68,191	$ 68,191	$ -
Due to other governments	7,856	115,260	117,310	5,806
Total liabilities	$ 7,856	$ 183,451	$ 185,501	$ 5,806
County Sheriff				
Assets:				
Cash and pooled investments:				
Other County officials	$ 68	$ 240,112	$ 240,112	$ 68
Liabilities:				
Due to other funds	$ -	$ 84,001	$ 84,001	$ -
Due to other governments	68	2,173	2,173	68
Trusts payable	-	153,938	153,938	-
Total liabilities	$ 68	$ 240,112	$ 240,112	$ 68

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Agricultural Extension Education Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 2,073	$ 180,181	$ 180,213	$ 2,041
Property tax receivable:				
Delinquent	1,083	867	1,083	867
Succeeding year	179,800	180,761	179,800	180,761
Total assets	$ 182,956	$ 361,809	$ 361,096	$ 183,669
Liabilities:				
Due to other governments	$ 182,956	$ 361,809	$ 361,096	$ 183,669
County Assessor Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 171,016	$ 354,514	$ 367,729	$ 157,801
Property tax receivable:				
Delinquent	1,673	1,421	1,673	1,421
Succeeding year	262,359	271,449	262,359	271,449
Prepaid expenses	3,085	11,799	3,085	11,799
Total assets	$ 438,133	$ 639,183	$ 634,846	$ 442,470
Liabilities:				
Accounts payable	$ 1,054	$ 246	$ 1,054	$ 246
Due to other governments	437,079	638,937	633,792	442,224
Total liabilities	$ 438,133	$ 639,183	$ 634,846	$ 442,470
Schools Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 106,936	$ 9,369,768	$ 9,371,062	$ 105,642
Property tax receivable:				
Delinquent	56,235	44,484	56,235	44,484
Succeeding year	9,335,104	9,186,727	9,335,104	9,186,727
Total assets	$ 9,498,275	$ 18,600,979	$ 18,762,401	$ 9,336,853
Liabilities:				
Due to other governments	$ 9,498,275	$ 18,600,979	$ 18,762,401	$ 9,336,853

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Community Colleges Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 7,099	$ 578,862	$ 579,374	$ 6,587
Property tax receivable:				
Delinquent	3,726	2,780	3,726	2,780
Succeeding year	574,840	579,655	574,840	579,655
Total assets	$ 585,665	$ 1,161,297	$ 1,157,940	$ 589,022
Liabilities:				
Due to other governments	$ 585,665	$ 1,161,297	$ 1,157,940	$ 589,022
Corporations Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 35,624	$ 1,842,592	$ 1,845,015	$ 33,201
Property tax receivable:				
Delinquent	35,898	22,506	35,898	22,506
Succeeding year	1,339,812	1,397,656	1,339,812	1,397,656
Total assets	$ 1,411,334	$ 3,262,754	$ 3,220,725	$ 1,453,363
Liabilities:				
Due to other governments	$ 1,411,334	$ 3,262,754	$ 3,220,725	$ 1,453,363
Townships Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 2,680	$ 266,572	$ 266,409	$ 2,843
Property tax receivable:				
Delinquent	1,215	1,278	1,215	1,278
Succeeding year	268,190	268,181	268,190	268,181
Total assets	$ 272,085	$ 536,031	$ 535,814	$ 272,302
Liabilities:				
Due to other governments	$ 272,085	$ 536,031	$ 535,814	$ 272,302

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Auto License and Use Tax Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 228,585	$ 3,222,494	$ 3,215,743	$ 235,336
Liabilities:				
Due to other governments	$ 228,585	$ 3,222,494	$ 3,215,743	$ 235,336
Brucellosis and Tuberculosis Eradication Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 22	$ 1,982	$ 1,080	$ 924
Property tax receivable:				
Delinquent	12	10	12	10
Succeeding year	1,978	1,988	1,978	1,988
Total assets	$ 2,012	$ 3,980	$ 3,070	$ 2,922
Liabilities:				
Due to other governments	$ 2,012	$ 3,980	$ 3,070	$ 2,922
Fire Districts Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 1,507	$ 142,462	$ 142,582	$ 1,387
Property tax receivable:				
Delinquent	601	559	601	559
Succeeding year	140,209	138,385	140,209	138,385
Total assets	$ 142,317	$ 281,406	$ 283,392	$ 140,331
Liabilities:				
Due to other governments	$ 142,317	$ 281,406	$ 283,392	$ 140,331

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
E911 Surcharge Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 164,612	$ 88,129	$ 61,175	$ 191,566
Receivables:				
Accounts	6,528	-	6,528	-
Accrued interest	27	-	27	-
Due from other governments	7,019	-	7,019	-
Prepaid expenses	-	4,754	-	4,754
Total assets	$ 178,186	$ 92,883	$ 74,749	$ 196,320
Liabilities:				
Accounts payable	$ 1,439	$ 1,618	$ 1,439	$ 1,618
Due to other governments	176,747	91,265	73,310	194,702
Total liabilities	$ 178,186	$ 92,883	$ 74,749	$ 196,320
Joint Disaster Services Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 740	$ 67,050	$ 66,073	$ 1,717
Prepaid expenses	784	850	784	850
Total assets	$ 1,524	$ 67,900	$ 66,857	$ 2,567
Liabilities:				
Accounts payable	$ 494	$ -	$ 494	$ -
Due to other governments	1,030	67,900	66,363	2,567
Total liabilities	$ 1,524	$ 67,900	$ 66,857	$ 2,567
City Special Assessments Fund				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 3,117	$ 45,308	$ 33,912	$ 14,513
Special assessments receivable	30,825	33,196	30,825	33,196
Total assets	$ 33,942	$ 78,504	$ 64,737	$ 47,709
Liabilities:				
Due to other governments	$ 33,942	$ 78,504	$ 64,737	$ 47,709

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Drainage Districts				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 176,747	$ 706,105	$ 712,184	$ 170,668
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	2,030	1,634	2,030	1,634
Total assets	$ 403,904	$ 707,739	$ 714,214	$ 397,429
Liabilities:				
Accounts payable	$ 25,028	$ 21,251	$ 25,028	$ 21,251
Due to other governments	378,876	686,488	689,186	376,178
Total liabilities	$ 403,904	$ 707,739	$ 714,214	$ 397,429
Flexible Benefits				
Assets:				
Cash and pooled investments:				
County Treasurer	$ -	$ 609	$ 325	$ 284
Liabilities:				
Accounts payable	$ -	$ 609	$ 325	$ 284
County Recorder's Electronic Fee				
Assets:				
Cash and pooled investments:				
County Treasurer	$ 164	$ 2,300	$ 2,215	$ 249
Liabilities:				
Due to other governments	$ 164	$ 2,300	$ 2,215	$ 249

Total Combined Funds	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
Assets:				
Cash and pooled investments:				
County Treasurer	$ 900,922	$ 16,868,928	$ 16,845,091	$ 924,759
Other County officials	7,924	424,034	426,084	5,874
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	100,443	73,905	100,443	73,905
Succeeding year	12,102,292	12,024,802	12,102,292	12,024,802
Accounts	6,528	-	6,528	-
Accrued interest	27	-	27	-
Drainage assessments	2,030	1,634	2,030	1,634
Special assessments	30,825	33,196	30,825	33,196
Due from other governments	7,019	-	7,019	-
Prepaid expenses	3,869	17,403	3,869	17,403
Total assets	$ 13,387,006	$ 29,443,902	$ 29,524,208	$ 13,306,700
Liabilities:				
Accounts payable	$ 28,015	$ 23,724	$ 28,340	$ 23,399
Due to other funds	-	152,663	152,663	-
Due to other governments	13,358,991	29,113,577	29,189,267	13,283,301
Trusts payable	-	153,938	153,938	-
Total liabilities	$ 13,387,006	$ 29,443,902	$ 29,524,208	$ 13,306,700

	2013	2012	2011	2010
Revenues:				
Property and other County tax	$ 5,945,223	$ 5,886,042	$ 5,562,829	$ 5,219,053
Interest and penalty on property tax	51,180	45,544	54,854	45,754
Intergovernmental	3,836,950	7,028,577	5,053,863	5,656,433
Licenses and permits	17,042	19,869	10,779	17,987
Charges for service	544,049	549,618	626,247	610,413
Use of money and property	42,119	26,255	30,966	39,333
Miscellaneous	70,321	38,738	57,573	186,465
Total revenues	$ 10,506,884	$ 13,594,643	$ 11,397,111	$ 11,775,438
Expenditures:				
Operating:				
Public safety and legal services	$ 2,541,121	$ 2,454,418	$ 2,254,099	$ 2,139,384
Physical health and social services	610,992	525,955	619,104	634,659
Mental health	409,441	1,606,432	1,321,432	1,176,552
County environment and education	1,243,495	2,279,636	2,095,707	656,061
Roads and transportation	3,374,173	3,011,934	3,415,927	3,199,657
Governmental services to residents	278,545	301,982	283,786	281,186
Administration	903,241	858,206	892,421	1,498,709
Non-program	1,479	703	19,206	165,644
Debt service	407,942	415,887	355,650	356,298
Capital projects	161,157	2,425,678	592,844	1,760,774
Total expenditures	$ 9,931,586	$ 13,880,831	$ 11,850,176	$ 11,868,924

2009	2008	2007	2006	2005	2004
$ 5,207,976	$ 4,552,144	$ 4,095,113	$ 4,062,904	$ 4,016,081	$ 3,974,544
37,700	37,207	44,251	44,075	52,560	53,614
5,220,827	3,526,956	3,297,773	3,150,350	3,201,525	3,102,126
21,962	18,288	13,813	23,267	23,495	13,536
690,813	581,086	550,392	498,654	518,622	543,139
124,419	185,435	250,059	200,662	108,758	94,856
71,626	355,467	174,214	139,439	115,537	126,886
$ 11,375,323	$ 9,256,583	$ 8,425,615	$ 8,119,351	$ 8,036,578	$ 7,908,701
$ 1,908,508	$ 1,761,007	$ 1,655,571	$ 1,537,041	$ 1,427,129	$ 1,395,700
567,081	568,800	524,944	555,735	516,955	500,516
1,214,267	1,206,049	1,019,139	948,009	972,379	980,403
620,407	802,348	769,636	435,290	487,359	412,848
3,919,380	3,075,632	2,781,601	2,497,345	2,536,698	2,415,685
259,047	253,424	269,935	338,758	270,838	242,403
1,039,659	1,012,531	947,402	822,266	749,756	750,025
3,263	118	204	95	-	-
364,940	277,914	165,061	175,581	71,998	57,940
3,333,855	685,925	1,107,875	823,623	797,104	341,914
$ 13,230,407	$ 9,643,748	$ 9,241,368	$ 8,133,743	$ 7,830,216	$ 7,097,434

Information Provided to Comply with Government Auditing Standards and OMB Circular A-133
June 30, 2013

Louisa County

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

To the Officials of Louisa County:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Louisa County's basic financial statements, and have issued our report thereon dated February 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2013-A and 2013-B to be material weaknesses.

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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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2013-C and 2013-D to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County and are reported in Part IV of the accompanying schedule of findings and questioned costs. 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.

County's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Dubuque, Iowa
February 6, 2014

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Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

To the Officials of Louisa County:

Report on Compliance for the Major Federal Program

We have audited Louisa County, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2013. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion, on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program
In our opinion, Louisa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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Report on Internal Control over Compliance

Management of Louisa County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Dubuque, Iowa
February 6, 2014

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Direct Program			
Wetlands Reserve Program	10.072		$ 6,000
Pass-through program from:			
Iowa Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,514
Total Department of Agriculture			9,514
U.S. Department of Commerce			
Pass-through program from:			
Iowa Department of Economic Development			
Investments for Public Works and Economic Development Facilities	11.300	05-79-05008	243,365
U.S. Department of Housing and Urban Development:			
Pass-through program from:			
Iowa Department of Economic Development			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-224	404,648
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-214	34,411
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-249	133,891
Total U.S. Department of Housing and Urban Development			572,950
U.S. Department of the Interior			
Direct program:			
Fish and Wildlife Management Assistance	15.608		55,000
U.S. Department of Justice:			
Direct program:			
Bulletproof Vest Partnership Program	16.607		406

Grantor/Program	CFDA Number	Entity Identifying Number	Program Expenditures
U.S. Department of Transportation:			
Pass-through program from:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	SBIA-C058(040)--2T-58	$ 23,785
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	12-03, Task 203	3,725
State and Community Highway Safety	20.600	13-03, Task 193	1,620
			5,345
Total U.S. Department of Transportation			29,130
U.S. Department of Health and Human Services:			
Pass-through program from:			
Iowa Department of Human Services			
Public Health Emergency Preparedness	93.069	5882BT58	2,141
Public Health Emergency Preparedness	93.069	5883BT58	28,294
			30,435
Iowa Department of Public Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2013-TB03	5,315
Iowa Department of Human Services			
Immunization Cooperative Agreements	93.268	5883I449	10,526
Refugee and Entrant Assistance - State Administered Programs	93.566		15
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		789
Foster Care Title IV-E	93.658		1,274
Adoption Assistance	93.659		345
Social Services Block Grant	93.667		1,137
Children's Health Insurance Program	93.767		13
Medical Assistance Program	93.778		3,452
Total U.S. Department of Health and Human Services			53,301
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	78,283
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	96,460
			174,743
Total			$ 1,138,409

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisa County, Iowa, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The County received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Governmental fund types account for the County's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the schedule, Louisa County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	$ 133,891

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

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	No
Identification of major program:	
Name of Federal Program	CFDA Number
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES

2013-A Preparation of Financial Statements

Criteria – A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards by internal personnel of the entity.

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

Condition – As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause – We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

Effect – The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that County officials continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial reports internally.

Response – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. At this time, the County does not have the resources to hire additional staff to draft the financial reports internally.

2013-B Material Audit Adjustment

Criteria – A properly designed system of internal control over financial reporting allows for the preparation of financial statements which are free from material misstatement and presented in conformity with generally accepted accounting principles (GAAP).

Condition – As a result of our audit procedures, we were required to propose a material adjustment to the County's financial statements in the area of accounts payable.

Cause – The cause of the adjustment appears to be due to lack of thorough review of accounting records when preparing the accounts payable accrual.

Effect – If the proposed adjustment had not been made, the financial statements would have been materially misstated.

Recommendation – We recommend that those responsible for preparation of the accounts payable accrual review accounting records thoroughly in order to obtain all necessary adjustments.

Response – The County acknowledges that our auditors were required to propose a material adjustment to the County's financial statements in the area of accounts payable. The County will continue to work to strengthen accounting functions.

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

SIGNIFICANT DEFICIENCIES

2013-C Sheriff's Office Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The Sheriff's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

Cause – With a limited number of office employees, segregation of duties is difficult.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – County officials should review the operating procedures of the office to obtain the maximum internal control over financial reporting possible under the circumstances.

Response – The Sheriff's Office will review the operating procedures, but due to personnel limitations additional procedures to increase internal control are not expected.

2013-D Treasurer's Office Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The Treasurer's office has various procedures implemented to enhance internal controls. However, due to staffing constraints, the County is still unable to fully segregate the receipt and posting functions.

Cause – With a limited number of office employees, segregation of duties is difficult.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – County officials should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The Treasurer's Office continues to review operating procedures on a regular basis and does everything in its power to maximize internal control. The Treasurer's Office does the best they can with the number of employees available.

Part III: Findings and Questioned Costs for Federal Awards:

There were no federal findings and questioned costs to report.

Part IV: Other Findings Related to Required Statutory Reporting:

2013-IA-A **Certified Budget** – Disbursements during the year ended June 30, 2013, did not exceed the amount budgeted. However, disbursements in one department exceeded the amounts appropriated.

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

Response – Going forward, the appropriations will be watched more closely by the departments.

2013-IA-B **Questionable Expenditures** – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

2013-IA-C **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

2013-IA-D **Business Transactions** – Business transactions between the County and County officials and/or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joellen Schantz, employee, spouse is John Schantz, owner of Grandview Service	Services	$ 2,775
Staci Griffin, employee spouse is Jason Griffin, owner of G-2 Firearms	Services	1,335
Staci Griffin, employee, father is Bill Small	Services	936
Staci Griffin, employee,	Services	836
Staci Griffin, employee, spouse is Jason Griffin	Services	643

In accordance with Chapter 331.342 (10) of the Code of Iowa, the transactions with G-2 Firearms, Bill Small, Staci Griffin, and Jason Griffin do not appear to represent conflicts of interest since total transactions with each individual were less than $1,500 during the fiscal year. The transaction with Grandview Service may represent a conflict of interest.

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

Recommendation – We recommend the County review the transactions with Grandview Service with the County Attorney.

Response – The County will review Grandview Service with the County Attorney. The County Engineer's Assistant, Joellen Schantz, has told the Roads Superintendent not to do business with Grandview Services prior to questioning her on required statutory reporting of related transactions in regard to the findings of this audit.

2013-IA-E **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 the coverage is adequate for current operations.

2013-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

2013-IA-G **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

2013-IA-H **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).

2013-IA-I **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.

There were no prior year federal findings.

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CPAs & BUSINESS ADVISORS

February 6, 2014

To the Board of Supervisors
Louisa County, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Louisa County are described in Note 1 to the financial statements. No significant new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the County's financial statements was:

> Management's estimate of the other postemployment benefits is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop the other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement, detected as a result of audit procedures, was corrected by management:

Secondary Roads Fund	
Adjustments to record additional accounts payable	$ 40,615

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 6, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

This information is intended solely for the use of the Board of Supervisors and management of Louisa County, Iowa, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

Eide Bailly LLP