

**WORTH COUNTY
NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013**

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Officials

Name	Title	Term Expires
(Before January, 2013)		
Board of Supervisors		
Dennis May	First District	January 1, 2015
Dave Haugen	Second District	January 1, 2013
Ken Abrams	Third District	January 1, 2015
Officials		
Kay Clark (retired)	County Auditor	January 1, 2013
Jake Hanson	County Treasurer	January 1, 2015
Elizabeth Kenison	County Recorder	January 1, 2015
Jay Langenbau	County Sheriff	January 1, 2013
Jeff Greve	County Attorney	January 1, 2015
Daniel Reeder	County Assessor	January 1, 2016
(After January, 2013)		
Board of Supervisors		
Dennis May	First District	January 1, 2015
Dave Haugen	Second District	January 1, 2017
Ken Abrams	Third District	January 1, 2015
Officials		
Jacki Backhaus	County Auditor	January 1, 2017
Jake Hanson	County Treasurer	January 1, 2015
Elizabeth Kenison	County Recorder	January 1, 2015
Jay Langenbau	County Sheriff	January 1, 2017
Jeff Greve	County Attorney	January 1, 2015
Daniel Reeder	County Assessor	January 1, 2016

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Independent Auditor's Report

Board of Supervisors
Worth County
Northwood, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Worth County as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, 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, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 10 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worth County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 44 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Mason City, Iowa
January 30, 2014

WORTH COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- Revenue of the County's governmental activities increased 8%, or \$922,977, from fiscal year 2012 to fiscal year 2013. Property and other County taxes increased \$85,219, operating grants, contributions and restricted interest decreased \$85,117 while charges for service increased \$132,513 and capital grants, contributions and restricted interest decreased \$795,237. Other taxes increased \$1,526,332, unrestricted investment earnings decreased \$16,951 and other general revenue increased \$39,439.
- Governmental activities expenses were \$968,144, or 8%, less in fiscal year 2013 than in fiscal year 2012. Mental health expense decreased \$342,096 and capital projects expenses decreased \$1,862,310.
- Governmental activities net position decreased 2.4%, or \$224,822, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

This 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 Worth 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 the 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 Worth 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 that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.
- Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the individual agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

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

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

The County's governmental activities are presented in the statement of net position and the statement of activities. Governmental activities include public safety and legal services; physical health and social services; mental health; county environment and education; roads and transportation; governmental services to residents; administration; nonprogram activities; debt service; and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for agriculture extension education, auto license and use tax and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Worth County's combined net position at the end of fiscal year 2013 totaled \$12,910,713, compared to \$11,899,820 at the end of fiscal year 2012. The analysis below focuses on the changes in the net position of governmental activities.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 17,240,516	\$ 14,480,135	\$ 114,708	\$ 62,596	\$ 17,355,224	\$ 14,542,731
Capital assets	18,595,752	18,962,908	3,509,720	2,326,500	22,105,472	21,289,408
Total Assets	35,836,268	33,443,043	3,624,428	2,389,096	39,460,696	35,832,139
Long-term liabilities	20,616,499	18,398,104	—	—	20,616,499	18,398,104
Other liabilities	5,927,019	5,527,367	6,465	6,848	5,933,484	5,534,215
Total Liabilities	26,543,518	23,925,471	6,465	6,848	26,549,983	23,932,319
Net Position						
Invested in capital assets, net of related debt	1,230,722	3,461,709	3,509,720	—	4,740,442	3,461,709
Restricted	6,890,615	7,488,468	—	—	6,890,615	7,488,468
Unrestricted	1,171,413	(1,432,605)	108,243	2,382,248	1,279,656	949,643
Total Net Position	\$ 9,292,750	\$ 9,517,572	\$ 3,617,963	\$ 2,382,248	\$ 12,910,713	\$ 11,899,820

Net position of the County's governmental activities decreased by 2.4% for fiscal year 2013. One component of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$949,643 as of June 30, 2012 to \$1,279,656 as of the end of this year.

The County's decrease in governmental activities net position described in the previous paragraph is largely due to a \$1,230,220 transfer of the Enterprise, Wastewater Fund which was used to construct the new rural water and wastewater treatment plant. The Enterprise, Wastewater Fund reported capital assets of \$3,509,720 and loss from operations of (\$2,456) for the year ended June 30, 2013. The ending net assets in the Wastewater Fund, which included the \$1,230,220 transfer, was \$3,597,041.

The following analysis details the changes in net position of Worth County's activities.

CHANGES IN NET POSITION OF GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenue						
Charges for service	\$ 867,476	\$ 734,963	\$ 256,299	\$ 183,685	\$ 1,123,775	\$ 918,648
Operating grants and contributions	2,817,375	2,902,492	—	—	2,817,375	2,902,492
Capital grants and contributions	902,033	1,697,270	—	—	902,033	1,697,270
General Revenue						
Property and other county taxes	5,122,593	5,037,374	—	—	5,122,593	5,037,374
Penalties and interest on property taxes	25,891	23,465	—	—	25,891	23,465
State tax credits	180,710	146,357	—	—	180,710	146,357
Local option sales tax	338,523	307,085	—	—	338,523	307,085
Tax increment financing	2,069,235	574,341	—	—	2,069,235	574,341
Unrestricted investment earnings	71,332	88,283	948	—	72,280	88,283
Other general revenue	285,000	245,561	—	—	285,000	245,561
Total Revenue	12,680,168	11,757,191	257,247	183,685	12,937,415	11,940,876
Program Expenses						
Public safety and legal services	2,183,748	2,075,610	—	—	2,183,748	2,075,610
Physical health and social services	876,276	935,201	—	—	876,276	935,201
Mental health	591,121	933,217	—	—	591,121	933,217
County environment and education	1,624,478	818,193	—	—	1,624,478	818,193
Roads and transportation	3,858,659	3,614,671	—	—	3,858,659	3,614,671
Governmental services to residents	351,720	327,984	—	—	351,720	327,984
Administration	1,265,329	1,114,245	—	—	1,265,329	1,114,245
Nonprogram	161,293	159,846	—	—	161,293	159,846
Debt service	762,146	839,417	—	—	762,146	839,417
Capital projects	—	1,862,310	—	—	—	1,862,310
Wastewater and water	—	—	251,752	151,437	251,752	151,437
Total Expenses	11,674,770	12,680,694	251,752	151,437	11,926,522	12,832,131
Revenue Over (Under) Expenses	1,005,398	(923,503)	5,495	32,248	1,010,893	(891,255)
Operating transfers, net	(1,230,220)	(2,350,000)	1,230,220	2,350,000	—	—
Change in Net Position	(224,822)	(3,273,503)	1,235,715	2,382,248	1,010,893	(891,255)
Net Position - Beginning of Year, as Restated	9,517,572	12,753,295	2,382,248	—	11,899,820	12,753,295
Net Position - End of Year	\$ 9,292,750	\$ 9,479,792	\$ 3,617,963	\$ 2,382,248	\$ 12,910,713	\$ 11,862,040

The County increased property tax rates for fiscal year 2013 by an average of 2%. This increased the County's property tax revenue \$87,624 in fiscal year 2013. Property tax revenue is budgeted to increase by an additional \$30,254 next year.

The cost of all governmental activities this year was \$11,674,770 compared to \$12,642,914 last year. However, as shown in the statement of activities, the amount taxpayers ultimately financed for these activities was \$7,087,886 because some of the cost was paid by those directly benefited from the programs (\$867,476) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,719,408). Overall, the County's governmental program revenue, including intergovernmental aid and charges for service, decreased in fiscal year 2013 from \$5,334,725 to \$4,586,884.

INDIVIDUAL MAJOR FUND ANALYSIS

Worth County's governmental funds reported a combined fund balance of \$11,353,503, which is an increase of \$2,572,626 from last year's total of \$8,780,877.

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenue and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$307,354 from the prior year to \$1,878,405.
- The Special Revenue, Rural Services Fund revenue and expenditures remained consistent when compared to the prior year. The ending fund balance decreased by \$34,461 to \$595,887.
- The Special Revenue, Secondary Roads Fund expenditures decreased \$1,537,160 from the prior year. The ending balance increased \$1,201,819 to \$3,121,323.
- Special Revenue, Highway 105 Trust revenue decreased \$1,460 from the prior year, although, the ending fund balance increased slightly to \$1,694,675.
- The Special Revenue, Hartland Township TIF Fund reported \$2,910,000 of general obligation bond proceeds. This led to a \$1,430,236 increase in fund balance to \$2,348,072.
- The Special Revenue, Wind Farm TIF Fund had an increase of \$1,306,407 in revenue and an increase of expenditures of \$1,088,527. The ending fund balance was \$397,310, an increase of \$186,170 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget twice. The first amendment was made in December, 2013 and increased revenue by \$186,983 which primarily related to grants and donations received for the conservation land purchase. Disbursements increased \$261,521 which primarily related to the conservation land purchase. The second amendment was made in May, 2013 and increased revenue by \$51,162 which primarily related to contract law enforcement with the City of Northwood. Disbursements were increased \$104,162 which primarily related to contract law enforcement with the City of Northwood as well as new county vehicle purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Worth County had invested \$23.4 million in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$367,000, or 2%, over last year.

Capital Assets at Fiscal Year End

	Governmental Activities	
	June 30,	
	2013	2012
Land.....	\$ 397,689	\$ 235,409
Buildings and leasehold improvements	1,234,953	1,279,419
Furniture, equipment and vehicles.....	2,003,148	2,018,399
Intangibles.....	63,342	92,845
Infrastructure	<u>14,896,620</u>	<u>15,336,836</u>
Total	<u>\$ 18,595,752</u>	<u>\$ 18,962,908</u>

This year’s major changes included the land purchased by the County Conservation Department combined with depreciation expense resulted in a net decrease in governmental capital assets of \$367,156. The County had governmental activities depreciation expense of \$850,962 in fiscal year 2013 and total accumulated depreciation of \$4,829,714 as of June 30, 2013.

The County’s fiscal year 2013 capital budget included \$6,722,725 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

	Business-Type Activities	
	June 30,	
	2013	2012
Construction in progress.....	\$ 1,230,220	\$ —
Infrastructure	2,279,500	2,326,500
Total	<u>\$ 3,509,720</u>	<u>\$ 2,326,500</u>

This year’s major additions included the construction in progress on the wastewater treatment plant.

The County had business-type activities depreciation expense of \$47,000 in fiscal year 2013 and total accumulated depreciation of \$70,500 as of June 30, 2013.

Long-Term Debt

As of June 30, 2013, Worth County had \$20,292,423 in general obligation bonds, notes and other debt outstanding, compared to \$18,080,799 as of June 30, 2012, as shown below.

Outstanding Debt at Year End

	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation bonds.....	\$ 20,065,000	\$ 17,405,000
Revenue bonds	99,006	315,571
Installment purchase agreement	56,067	83,850
Drainage improvement certificates	54,859	69,243
Interfund loan	17,491	207,135
Total	<u>\$ 20,292,423</u>	<u>\$ 18,080,799</u>

The County continues to carry a general obligation bond rating of A assigned by national rating agencies to the County's debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Worth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$46 million. Other obligations include accrued compensated absences and net OPEB liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

NEXT YEAR'S BUDGET AND RATES

Amounts available for appropriation in the fiscal year 2014 operating budget are \$18,880,565, a decrease of 3% over the final 2013 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers and creditors with a general overview of Worth 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 Worth County Auditor's Office, 1000 Central Avenue, Northwood, Iowa.

Basic Financial Statements

Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 10,616,247	\$ 76,178	\$ 10,692,425
Receivables			
Property Tax			
Delinquent	904	—	904
Succeeding year	5,567,850	—	5,567,850
Accounts	85,531	26,116	111,647
Accrued interest	15,979	324	16,303
Due from other governments	682,003	—	682,003
Inventories	249,185	—	249,185
Prepaid insurance	22,817	12,090	34,907
Capital assets, net of accumulated depreciation/ amortization	<u>18,595,752</u>	<u>3,509,720</u>	<u>22,105,472</u>
Total Assets	<u>\$ 35,836,268</u>	<u>\$ 3,624,428</u>	<u>\$ 39,460,696</u>
Liabilities			
Accounts payable	\$ 278,051	\$ 6,465	\$ 284,516
Accrued interest payable	50,332	—	50,332
Salaries and benefits payable	26,273	—	26,273
Due to other governments	4,513	—	4,513
Deferred Revenue			
Succeeding year property tax	5,567,850	—	5,567,850
Long-Term Liabilities			
Portion Due or Payable Within One Year			
General obligation bonds	770,000	—	770,000
Revenue bonds	99,006	—	99,006
Installment purchases	27,783	—	27,783
Improvement certificates	10,972	—	10,972
Compensated absences	219,075	—	219,075
Termination benefits	61,595	—	61,595
Portion Due or Payable After One Year			
General obligation bonds	19,295,000	—	19,295,000
Installment purchases	28,284	—	28,284
Improvement certificates	43,887	—	43,887
Net OPEB liability	<u>60,897</u>	<u>—</u>	<u>60,897</u>
Total Liabilities	<u>26,543,518</u>	<u>6,465</u>	<u>26,549,983</u>
Net Position			
Investment in capital assets	1,230,722	3,509,720	4,740,442
Restricted for			
Supplemental levy purposes	365,713	—	365,713
Mental health purposes	76,116	—	76,116
Rural services purposes	595,930	—	595,930
Secondary roads purposes	2,872,138	—	2,872,138
Other purposes	2,980,718	—	2,980,718
Unrestricted	<u>1,171,413</u>	<u>108,243</u>	<u>1,279,656</u>
Total Net Position	<u>9,292,750</u>	<u>3,617,963</u>	<u>12,910,713</u>
Total Liabilities and Net Position	<u>\$ 35,836,268</u>	<u>\$ 3,624,428</u>	<u>\$ 39,460,696</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position			
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Public safety and legal services.....	\$ 2,183,748	\$ 77,009	\$ 328,908	\$ —	\$ (1,777,831)	\$ —	\$ (1,777,831)
Physical health and social services	876,276	161,458	409,483	—	(305,335)	—	(305,335)
Mental health.....	591,121	—	11,703	—	(579,418)	—	(579,418)
County environment and education	1,624,478	14,989	—	—	(1,609,489)	—	(1,609,489)
Roads and transportation	3,858,659	237,745	1,981,799	902,033	(737,082)	—	(737,082)
Governmental services to residents.....	351,720	135,154	—	—	(216,566)	—	(216,566)
Administration.....	1,265,329	21,654	—	—	(1,243,675)	—	(1,243,675)
Nonprogram	161,293	219,467	85,482	—	143,656	—	143,656
Debt service	762,146	—	—	—	(762,146)	—	(762,146)
Total Governmental Activities	11,674,770	867,476	2,817,375	902,033	(7,087,886)	—	(7,087,886)
Business-Type Activities	251,752	256,299	—	—	—	4,547	4,547
Total	\$ 11,926,522	\$ 1,123,775	\$ 2,817,375	\$ 902,033	(7,087,886)	4,547	(7,083,339)
General Revenue							
Property and Other County Taxes							
Levied for							
General purposes.....					4,150,957	—	4,150,957
Other county taxes					971,636	—	971,636
Penalties and interest on property tax					25,891	—	25,891
State tax credits.....					180,710	—	180,710
Local option sales tax					338,523	—	338,523
Tax increment financing					2,069,235	—	2,069,235
Unrestricted investment earnings					71,332	948	72,280
Miscellaneous.....					285,000	—	285,000
Transfers					(1,230,220)	1,230,220	—
Total General Revenue.....					6,863,064	1,231,168	8,094,232
Change in Net Position					(224,822)	1,235,715	1,010,893
Net Position - Beginning of Year, as Restated (Note 12)					9,517,572	2,382,248	11,899,820
Net Position - End of Year.....					\$ 9,292,750	\$ 3,617,963	\$ 12,910,713

Balance Sheet - Governmental Funds

As of and for the Year Ended June 30, 2013

	Special Revenue						Nonmajor	Total
	General	Rural Services	Secondary Roads	Highway 105 Trust	Hartland Township TIF	Wind Farm TIF		
Assets								
Cash, cash equivalents and pooled investments	\$ 1,692,543	\$ 510,573	\$ 2,606,757	\$ 1,676,947	\$ 2,469,312	\$ 396,656	\$ 1,253,680	\$ 10,606,468
Receivables								
Property Tax								
Delinquent	745	43	—	—	—	—	116	904
Succeeding year	2,716,840	994,949	—	—	213,494	1,311,733	330,834	5,567,850
Accounts	38,143	846	46,101	—	—	—	441	85,531
Accrued interest	11,010	17	—	237	2,116	654	1,943	15,977
Interfund loan	—	—	—	17,491	—	—	—	17,491
Due from other governments	176,176	88,561	347,251	—	10	—	70,005	682,003
Prepaid insurance	22,817	—	—	—	—	—	—	22,817
Inventories	—	—	249,185	—	—	—	—	249,185
Total Assets	\$ 4,658,274	\$ 1,594,989	\$ 3,249,294	\$ 1,694,675	\$ 2,684,932	\$ 1,709,043	\$ 1,657,019	\$ 17,248,226
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 46,947	\$ 2,782	\$ 114,169	\$ —	\$ 105,875	\$ —	\$ 8,278	\$ 278,051
Salaries and benefits payable	11,928	1,179	13,166	—	—	—	—	26,273
Due to other funds	—	—	—	—	17,491	—	—	17,491
Due to other governments	3,719	149	636	—	—	—	9	4,513
Deferred Revenue								
Succeeding year property tax	2,716,840	994,949	—	—	213,494	1,311,733	330,834	5,567,850
Other	435	43	—	—	—	—	67	545
Total Liabilities	2,779,869	999,102	127,971	—	336,860	1,311,733	339,188	5,894,723
Fund Balances								
Nonspendable								
Inventories	—	—	249,185	—	—	—	—	249,185
Prepaid insurance	22,817	—	—	—	—	—	—	22,817
Restricted for								
Supplemental levy purposes	365,713	—	—	—	—	—	—	365,713
Mental health purposes	—	—	—	—	—	—	76,049	76,049
Rural services purposes	—	595,887	—	—	—	—	—	595,887
Secondary roads purposes	—	—	2,872,138	—	—	—	—	2,872,138
Drainage warrants/improvement certificates	—	—	—	—	—	—	310,139	310,139
Conservation land acquisition	89,664	—	—	—	—	—	—	89,664
Closure	—	—	—	—	—	—	4,111	4,111
Other purposes	511,016	—	—	1,694,675	2,348,072	397,310	927,532	5,878,605
Assigned	6,878	—	—	—	—	—	—	6,878
Unassigned	882,317	—	—	—	—	—	—	882,317
Total Fund Balances	1,878,405	595,887	3,121,323	1,694,675	2,348,072	397,310	1,317,831	11,353,503
Total Liabilities and Fund Balances	\$ 4,658,274	\$ 1,594,989	\$ 3,249,294	\$ 1,694,675	\$ 2,684,932	\$ 1,709,043	\$ 1,657,019	\$ 17,248,226

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2013

Total Fund Balances for Governmental Funds (Page 13)	\$ 11,353,503
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$23,425,466 and the accumulated depreciation/amortization is \$4,829,714	18,595,752
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds	545
The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position	9,781
Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other post-employment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(20,666,831)</u>
Net Position of Governmental Activities (Page 11)	<u>\$ 9,292,750</u>

**Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds**

Year Ended June 30, 2013

	General	Special Revenue					Nonmajor	Total
		Rural Services	Secondary Roads	Highway 105 Trust	Hartland Township TIF	Wind Farm TIF		
Revenue								
Property and other county tax.....	\$ 3,697,203	\$ 1,002,786	\$ —	\$ —	\$ 389,175	\$ 1,677,455	\$ 426,420	\$ 7,193,039
Local option sales tax.....	—	338,522	—	—	—	—	—	338,522
Interest and penalty on property tax	25,891	—	—	—	—	—	23	25,914
Intergovernmental	941,055	49,657	2,196,200	—	50	—	725,864	3,912,826
Licenses and permits.....	5,945	200	7,750	—	—	—	—	13,895
Charges for service	280,614	8,586	—	—	—	—	15,146	304,346
Use of money and property	54,111	223	—	9,563	7,198	2,042	12,596	85,733
Miscellaneous.....	273,021	—	301,418	—	—	—	222,688	797,127
Total Revenue	<u>5,277,840</u>	<u>1,399,974</u>	<u>2,505,368</u>	<u>9,563</u>	<u>396,423</u>	<u>1,679,497</u>	<u>1,402,737</u>	<u>12,671,402</u>
Expenditures								
Operating								
Public safety and legal services.....	1,848,707	226,525	—	—	—	—	12,046	2,087,278
Physical health and social services.....	855,672	—	—	—	—	—	—	855,672
Mental health.....	—	—	—	—	—	—	586,020	586,020
County environment and education	528,992	206,507	—	—	100	—	—	735,599
Roads and transportation	—	—	2,342,770	—	—	—	—	2,342,770
Governmental services to residents.....	343,775	134	—	—	—	—	5,580	349,489
Administration.....	1,198,019	672	—	—	—	—	—	1,198,691
Nonprogram	—	—	—	—	—	—	149,420	149,420
Debt service	—	—	—	—	401,469	629,630	231,600	1,262,699
Capital projects.....	135,850	29,438	—	—	239,773	838,727	933,369	2,177,157
Total Expenditures	<u>4,911,015</u>	<u>463,276</u>	<u>2,342,770</u>	<u>—</u>	<u>641,342</u>	<u>1,468,357</u>	<u>1,918,035</u>	<u>11,744,795</u>
Revenue Over (Under) Expenditures	<u>366,825</u>	<u>936,698</u>	<u>162,598</u>	<u>9,563</u>	<u>(244,919)</u>	<u>211,140</u>	<u>(515,298)</u>	<u>926,607</u>
Other Financing Sources (Uses)								
Sale of capital assets.....	10,000	—	—	—	—	—	—	10,000
Operating transfers in.....	—	—	1,039,221	—	—	—	1,409	1,040,630
Operating transfers out.....	(69,471)	(971,159)	—	—	(1,230,220)	—	—	(2,270,850)
General obligation bonds issued.....	—	—	—	—	2,905,375	—	—	2,905,375
Total Other Financing Sources (Uses)	<u>(59,471)</u>	<u>(971,159)</u>	<u>1,039,221</u>	<u>—</u>	<u>1,675,155</u>	<u>—</u>	<u>1,409</u>	<u>1,685,155</u>
Net Change in Fund Balances	307,354	(34,461)	1,201,819	9,563	1,430,236	211,140	(513,889)	2,611,762
Fund Balances - Beginning of Year	1,571,051	630,348	1,958,640	1,685,112	917,836	186,170	1,831,720	8,780,877
Decrease in reserve for inventories	—	—	(39,136)	—	—	—	—	(39,136)
Fund Balances - End of Year	<u>\$ 1,878,405</u>	<u>\$ 595,887</u>	<u>\$ 3,121,323</u>	<u>\$ 1,694,675</u>	<u>\$ 2,348,072</u>	<u>\$ 397,310</u>	<u>\$ 1,317,831</u>	<u>\$ 11,353,503</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2013

Change in Fund Balances - Total Governmental Funds (Page 15) \$ 2,611,762

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net position and are allocated over their estimated useful lives as depreciation/amortization expense in the statement of activities. The amounts of capital outlays and depreciation/amortization expense for the year are as follows:

Expenditures for capital assets.....	\$ 483,806	
Depreciation/amortization expense	<u>(850,962)</u>	(367,156)

Because some revenue will not be collected for several months after the County's year end, it is not considered available revenue and is deferred in the governmental funds. The decrease in that deferral is as follows:

Property tax.....		(1,234)
-------------------	--	---------

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

Issued	\$ (2,905,375)	
Repaid	<u>504,107</u>	(2,401,268)

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

Compensated absences.....	\$ (12,322)	
Other post-employment benefits/termination benefits.....	(11,940)	
Interest on long-term debt	<u>(3,554)</u>	(27,816)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.....

(39,136)

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

26

Change in Net Position of Governmental Activities (Page 12) \$ (224,822)

Statement of Net Position - Proprietary Funds

As of June 30, 2013

	Business-Type Activities - Enterprise Funds			Govern- mental Activities Internal Service - Employee Group Health
	Wastewater	Nonmajor Water	Total	
Assets				
Current Assets				
Cash, cash equivalents and pooled investments	\$ 69,951	\$ 6,227	\$ 76,178	\$ 9,779
Receivables				
Accounts	15,994	10,122	26,116	—
Accrued interest	162	162	324	2
Prepaid expense	6,045	6,045	12,090	—
Total Current Assets	<u>92,152</u>	<u>22,556</u>	<u>114,708</u>	<u>9,781</u>
Capital Assets, Net of Accumulated Depreciation ...	<u>3,509,720</u>	<u>—</u>	<u>3,509,720</u>	<u>—</u>
Total Assets	<u>\$ 3,601,872</u>	<u>\$ 22,556</u>	<u>\$ 3,624,428</u>	<u>\$ 9,781</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	<u>\$ 4,831</u>	<u>\$ 1,634</u>	<u>\$ 6,465</u>	<u>\$ —</u>
Net Position				
Investment in capital assets.....	3,509,720	—	3,509,720	—
Unrestricted	87,321	20,922	108,243	9,781
Total Net Position.....	<u>3,597,041</u>	<u>20,922</u>	<u>3,617,963</u>	<u>9,781</u>
Total Liabilities and Net Position	<u>\$ 3,601,872</u>	<u>\$ 22,556</u>	<u>\$ 3,624,428</u>	<u>\$ 9,781</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Govern- mental Activities Internal Service - Employee Group Health
	Wastewater	Nonmajor Water	Total	
Operating Revenue				
Reimbursements from operating funds.....	\$ —	\$ —	\$ —	\$ 492,631
Reimbursements from employees	—	—	—	112,856
Charges for service	<u>165,455</u>	<u>90,844</u>	<u>256,299</u>	<u>—</u>
Total Operating Revenue.....	<u>165,455</u>	<u>90,844</u>	<u>256,299</u>	<u>605,487</u>
Operating Expenses				
Cost of sales and services.....	120,911	83,841	204,752	—
Depreciation	47,000	—	47,000	—
Insurance premiums	—	—	—	605,487
Total Operating Expenses	<u>167,911</u>	<u>83,841</u>	<u>251,752</u>	<u>605,487</u>
Income (Loss) From Operations	(2,456)	7,003	4,547	—
Nonoperating Revenue				
Interest income.....	<u>474</u>	<u>474</u>	<u>948</u>	<u>26</u>
Income (Loss) Before Transfers	(1,982)	7,477	5,495	26
Other Financing Source				
Operating transfers in.....	<u>1,230,220</u>	<u>—</u>	<u>1,230,220</u>	<u>—</u>
Increase in Net Position.....	1,228,238	7,477	1,235,715	26
Net Position - Beginning of Year	<u>2,368,803</u>	<u>13,445</u>	<u>2,382,248</u>	<u>9,755</u>
Net Position - End of Year.....	<u>\$ 3,597,041</u>	<u>\$ 20,922</u>	<u>\$ 3,617,963</u>	<u>\$ 9,781</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Wastewater	Nonmajor	Total	Internal Service - Employee Group Health
		Water		
Cash Flows From Operating Activities				
Cash received from sales of services	\$ 178,137	\$ 97,542	\$ 275,679	\$ —
Cash paid to suppliers for services	(125,436)	(91,789)	(217,225)	—
Cash received from operating fund reimbursements	—	—	—	492,631
Cash received from employees and others	—	—	—	112,856
Cash payments to suppliers for services	—	—	—	(605,487)
Net Cash Provided by Operating Activities	<u>52,701</u>	<u>5,753</u>	<u>58,454</u>	<u>—</u>
Cash Flows From Investing Activities				
Interest on investments	<u>474</u>	<u>474</u>	<u>948</u>	<u>26</u>
Cash Flows From Capital and Related Financing Activities				
Cash received from county	1,230,220	—	1,230,220	—
Cash paid to purchase capital assets	<u>(1,230,220)</u>	<u>—</u>	<u>(1,230,220)</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Increase in Cash and Cash Equivalents ...	53,175	6,227	59,402	26
Cash and Cash Equivalents at Beginning of Year	<u>16,776</u>	<u>—</u>	<u>16,776</u>	<u>9,755</u>
Cash and Cash Equivalents at End of Year	<u>\$ 69,951</u>	<u>\$ 6,227</u>	<u>\$ 76,178</u>	<u>\$ 9,781</u>
Reconciliation of Income From Operations to Net Cash Provided by Operating Activities				
Income from operations	\$ (2,456)	\$ 7,003	\$ 4,547	\$ —
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities				
Depreciation	47,000	—	47,000	—
Changes in Assets and Liabilities				
Decrease in receivables.....	12,682	6,698	19,380	—
Increase in prepaid expenses	(6,045)	(6,045)	(12,090)	—
Increase in accounts payable	<u>1,520</u>	<u>(1,903)</u>	<u>(383)</u>	<u>—</u>
Net Cash Provided by Operating Activities	<u>\$ 52,701</u>	<u>\$ 5,753</u>	<u>\$ 58,454</u>	<u>\$ —</u>

See accompanying notes to the financial statements.

Statement of Fiduciary Assets and Liabilities - Agency Funds

As of June 30, 2013

Assets

Cash, Cash Equivalents and Pooled Investments	
County Treasurer.....	\$ 1,011,498
Other county officials	30,756
Receivables	
Property Tax	
Delinquent	7,425
Succeeding year	8,675,271
Accounts.....	19,115
Accrued interest.....	29
Due from other governments	73,939
Total Assets	<u>9,818,033</u>

Liabilities

Accounts payable	1,247
Due to other funds	1,623
Due to other governments	9,776,907
Trusts payable.....	33,784
Compensated absences	4,472
Total Liabilities	<u>9,818,033</u>

Net Position	<u>\$ —</u>
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Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Worth 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, Worth 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 Worth 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.

Seventy-nine 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 Worth 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 Worth 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: Worth County Assessor's Conference Board, Worth County Emergency Management Commission and Worth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 revenue and other nonexchange transactions.

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

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

The County had the following major governmental funds:

The *General Fund* is the general operating fund of the County. All general tax revenue and other revenue that is 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, fixed charges and capital improvement costs that are not paid from other funds.

Special Revenue

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

The *Wind Farm TIF Fund* is used to account for road improvements.

The Hartland Township *TIF Fund* is used to account for the funding of improvements through the use of TIF funds.

Additionally, the County reports the following proprietary funds:

Enterprise Funds are utilized to account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

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

The following fiduciary funds are also reported:

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

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 recognized 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 the grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. 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 revenue.

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

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

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

Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments

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 nonnegotiable certificates of deposit which are stated at cost.

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

(1) Summary of Significant Accounting Policies and Other Matters

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.

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 revenue, grants and reimbursements from other governments.

Inventories

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Land, buildings and improvements.....	25,000
Intangibles.....	25,000
Equipment and vehicles.....	5,000

All capital assets of the County are depreciated/amortized using the straight-line method of depreciation/amortization over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements.....	20 - 50 Years
Infrastructure.....	30 - 50 Years
Intangibles.....	5 - 20 Years
Equipment and vehicles.....	2 - 20 Years

Due to Other Governments

Due to other governments represents taxes and other revenue 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 revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable not collected within 60 days after year end.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary 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 as of 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks as of 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 that there will be no loss of public funds.

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

Interest Rate Risk

The County's investment policy limits the investment of funds to instruments that mature within the anticipated needs for funds based upon cash flow projections prepared at regular intervals and consistent with the needs and use of the County.

(3) Interfund Transfers

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

Transfer to	Transfer From	Amount
Special Revenue Secondary Roads	General Special Revenue Rural Services	\$ 68,062 <u>971,159</u> <u>1,039,221</u>
Emergency Medical Services	General	<u>1,409</u>
Enterprise Wastewater	Special Revenue Hartland Township TIF	<u>1,230,220</u> <u>\$ 2,270,850</u>

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

During the fiscal year ended June 30, 2009, the Board of Supervisors approved noncurrent interfund loans for the purpose of construction of water and sewer services in a tax increment financing area. Transfers of \$100,000 and \$400,000 were made from the General Fund and the Special Revenue Fund, Highway 105 Trust, respectively, to the Special Revenue, Hartland Township TIF Fund. The proceeds of the loans were forwarded to Xenia Rural Water (Xenia) for construction of the water and sewer system. The loan from the General Fund was to be repaid in the fiscal year 2010. After 2010, the tax increment financing revenue was to be paid to Xenia not to exceed an additional \$1.5 million. Once Xenia had collected \$2 million, the tax increment revenue collections were to repay the Highway 105 Trust.

Notes to the Financial Statements

(3) Interfund Transfers

In August, 2009, Xenia declared bankruptcy. All work on the water and sewer infrastructure being constructed in the Hartland Township TIF area ceased. As a result of the bankruptcy and the urban renewal project being halted, there was no additional tax increment financing revenue being collected for the Hartland Township TIF to repay the interfund loans. The County received \$91,485 in tax increment financing revenue and repaid most of the loan from the General Fund. It is not known when the remainder of the General Fund loan or the Highway 105 Trust loan in its entirety will be repaid. As of June 30, 2013, the balance of the interfund loan was \$17,491. Also see Note 6.

(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/ Amortized				
Land.....	\$ 235,409	\$ 162,280	\$ —	\$ 397,689
Capital Assets Being Depreciated/ Amortized				
Buildings	1,217,643	—	—	1,217,643
Improvements	480,429	—	—	480,429
Furniture and equipment	3,324,997	244,332	10,000	3,559,329
Vehicles	832,161	77,194	—	909,355
Intangible assets	130,850	—	—	130,850
Infrastructure.....	16,730,171	—	—	16,730,171
Total Capital Assets Being Depreciated/Amortized	<u>22,716,251</u>	<u>321,526</u>	<u>10,000</u>	<u>23,027,777</u>
Less Accumulated Depreciation/ Amortization for				
Buildings	353,483	29,966	—	383,449
Leasehold improvements	65,170	14,500	—	79,670
Furniture and equipment	1,607,685	215,603	10,000	1,813,288
Vehicles	531,074	121,174	—	652,248
Intangibles.....	38,005	29,503	—	67,508
Infrastructure.....	1,393,335	440,216	—	1,833,551
Total Accumulated Depreciation/Amortization	<u>3,988,752</u>	<u>850,962</u>	<u>10,000</u>	<u>4,829,714</u>
Net Total Capital Assets Being Depreciated/Amortized.....	<u>18,727,499</u>	<u>(529,436)</u>	<u>—</u>	<u>18,198,063</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 18,962,908</u>	<u>\$ (367,156)</u>	<u>\$ —</u>	<u>\$ 18,595,752</u>

Notes to the Financial Statements

(4) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated/ Amortized				
Construction in progress	\$ —	\$ 1,230,220	\$ —	\$ 1,230,220
Capital Assets Being Depreciated/ Amortized				
Infrastructure	2,350,000	—	—	2,350,000
Less accumulated depreciation for infrastructure	23,500	47,000	—	70,500
Total Capital Assets Being Depreciated, Net.....	2,326,500	(47,000)	—	2,279,500
Net Business-Type Activities				
Capital Assets	\$ 2,326,500	\$ 1,183,220	\$ —	\$ 3,509,720

Depreciation/amortization expense was charged as follows:

Governmental Activities		
Public safety and legal services		\$ 139,935
Physical health and social services		20,100
County environment and education		48,869
Roads and transportation		565,990
Governmental services to residents		2,093
Administration		62,143
Nonprogram		11,832
Total Governmental Activities Depreciation Expense		\$ 850,962
Business-Type Activities		
Wastewater		\$ 47,000

(5) Due to Other Governments

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

Fund	Description	Amount
General		\$ 3,719
Special Revenue		
Mental Health	Services	8
Rural services		149
Secondary roads		636
Emergency medical services		1
Total Governmental Funds		\$ 4,513

Notes to the Financial Statements

(5) Due to Other Governments

Fund	Description	Amount
Agency		
Agricultural Extension Education	Collections	\$ 155,614
County Assessor		550,914
Schools		6,348,335
Community Colleges		341,582
Corporations		1,672,450
Auto license and use tax		153,683
All other		554,329
Total Agency Funds		<u>\$ 9,776,907</u>

(6) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation					
bonds.....	\$ 17,405,000	\$ 2,910,000	\$ 250,000	\$ 20,065,000	\$ 770,000
Revenue bonds	315,571	—	216,565	99,006	99,006
Installment purchase					
agreement.....	83,850	—	27,783	56,067	27,783
Drainage improvement					
certificates.....	69,243	—	14,384	54,859	10,972
Interfund loan	207,135	—	189,644	17,491	17,491
Compensated absences..	206,753	219,075	206,753	219,075	219,075
Early retirement					
incentive.....	68,728	6,633	13,766	61,595	61,595
Net OPEB liability, as					
restated (Note 12)	41,824	19,073	—	60,897	—
	<u>\$ 18,398,104</u>	<u>\$ 3,154,781</u>	<u>\$ 918,895</u>	<u>\$ 20,633,990</u>	<u>\$ 1,205,922</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

General Obligation Bonds

Details of the County's June 30, 2013 general obligation urban renewal indebtedness is as follows:

Year Ending June 30,	County Road Improvement Bonds					
	Issued June 18, 2009			Issued December 15, 2010		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2014	2.35%	\$ 770,000	\$ 275,845	1.60%	\$ —	\$ 97,660
2015	2.50	845,000	257,750	1.60	260,000	97,660
2016	2.75	870,000	236,625	1.90	265,000	93,500
2017	3.00	900,000	212,700	2.20	270,000	88,465
2018	3.40	930,000	185,700	2.50	280,000	82,525
2019-2023	3.60 - 4.00	4,035,000	398,955	2.80 - 3.55	1,535,000	287,618
2024-2028		—	—	3.70 - 3.80	695,000	39,560
2029-2033		—	—		—	—
Total		<u>\$ 8,350,000</u>	<u>\$ 1,567,575</u>		<u>\$ 3,305,000</u>	<u>\$ 786,988</u>

Year Ending June 30,	Economic Development Bonds			Urban Renewal Bonds		
	Issued June 9, 2011			Issued November 20, 2012		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2014	2.50%	\$ —	\$ 164,563	0.80%	\$ —	\$ 60,220
2015	2.50	100,000	164,563	0.80	15,000	60,220
2016	2.50	430,000	162,063	0.80	45,000	60,100
2017	2.75	435,000	151,312	0.80	115,000	59,740
2018	2.75	445,000	139,350	2.00	205,000	58,820
2019-2023	2.75 - 3.00	2,425,000	506,297	2.00	1,075,000	231,600
2024-2028	3.40 - 3.65	1,665,000	120,557	2.00 - 2.50	1,200,000	116,640
2029-2033		—	—	2.60	255,000	6,500
Total		<u>\$ 5,500,000</u>	<u>\$ 1,408,705</u>		<u>\$ 2,910,000</u>	<u>\$ 653,840</u>

Year Ending June 30,	Principal	Interest	Total
2014	\$ 770,000	\$ 598,288	\$ 1,368,288
2015	1,220,000	580,193	1,800,193
2016	1,610,000	552,288	2,162,288
2017	1,720,000	512,217	2,232,217
2018	1,860,000	466,395	2,326,395
2019-2023	9,070,000	1,424,470	10,494,470
2024-2028	3,560,000	276,757	3,836,757
2029-2033	255,000	6,500	261,500
Total	<u>\$ 20,065,000</u>	<u>\$ 4,417,108</u>	<u>\$ 24,482,108</u>

The County was in compliance with all bond resolutions.

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the County's June 30, 2013 urban renewal tax increment revenue bonded indebtedness is as follows:

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bonds			
	Issued September 22, 2003			
	Interest Rate	Principal	Interest	Total
2014	5.75%	<u>\$ 99,006</u>	<u>\$ 2,858</u>	<u>\$ 101,864</u>

Installment Purchase Agreement

Details of the County's June 30, 2013 installment purchase agreement with Shield Technology Corporation for the purchase of Shield Software is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	0%	\$ 27,783	\$ —	\$ 27,783
2015	0	<u>28,284</u>	<u>—</u>	<u>28,284</u>
Total		<u>\$ 56,067</u>	<u>\$ —</u>	<u>\$ 56,067</u>

Interfund Loan

As discussed in Note 3, during the fiscal year ended June 30, 2009, the County approved loans of \$100,000 and \$400,000 from the General Fund and the Special Revenue, Highway 105 Trust Fund, respectively, to the Special Revenue, Hartland Township TIF Fund. During the fiscal year ended June 30, 2013, \$189,644 was repaid on the interfund loan and the remaining balance was \$17,491. Payments will continue to be made as tax increment financing revenue is collected in the Hartland Township TIF District.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest-bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

(6) Long-Term Liabilities

Early Retirement Incentive

As an early retirement incentive, the County will provide single premium health insurance equal to the dollar value of the fiscal year approved premium with no annuity until age 65. To qualify the employee must be 55 years of age with 30 years of IPERS eligible service. The program was suspended as of July 1, 2009. Retirees already receiving the benefit or retiring prior to July 1, 2009 will continue to receive the benefit. During the year ended June 30, 2013, the County's expense for two employees was \$13,766. Both employees are eligible to receive the benefit after June 30, 2013. The liability to the County (at current rates) is \$61,595.

(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 annual 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 \$301,224, \$279,565 and \$238,330, respectively, which was equal to the required contribution for each year.

(8) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund, was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield (Wellmark).

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an internal service fund. The County's contribution to the fund for the year ended June 30, 2013 was \$492,631.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Plan Description

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 65 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 33,330
Interest on net OPEB obligation.....	1,086
Adjustment to annual required contribution.....	<u>(1,999)</u>
Annual OPEB Cost	32,417
Contributions made	<u>(13,344)</u>
Increase in Net OPEB Obligation	<u>19,073</u>
Net OPEB Obligation - Beginning of Year, as Previously Reported	79,604
Restatement of beginning net OPEB obligation due to change in actuarial assumptions (Note 12).....	<u>(37,780)</u>
Net OPEB Obligation - Beginning of Year, as Restated.....	<u>41,824</u>
Net OPEB Obligation - End of Year	<u>\$ 60,897</u>

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

For the year ended June 30, 2013, the County contributed \$13,344 to the medical plan and plan members eligible for benefits made no contributions.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 32,270	0.0%	\$ 60,940
June 30, 2012	32,004	41.7	79,604
June 30, 2013	32,417	41.2	60,897

Funded Status and Funding Progress

As of July 26, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$255,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$255,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,022,690 and the ratio of the UAAL to the covered payroll was 8.4%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of the July 26, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% investment rate of return and an annual healthcare cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and selection rates were 30% and 80%, respectively. The aging curve is based on the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$593 per month per active employee. The UAAL is being amortized as a level percentage of projected payroll expense over 30 years.

Notes to the Financial Statements

(10) Risk Management

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of 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 \$67,645.

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

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

Notes to the Financial Statements

(10) Risk Management

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% 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 \$100,000, 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.

(11) Operating Leases

The County leases two buildings where the County Attorney and Veteran Affairs Commission conduct their operations. In addition, the County leases two storage facilities and three vehicles. The lease arrangements are on a month-to-month basis and total rent paid was \$9,875 for the year ended June 30, 2013.

The County also leases the building where the Public Health Department conducts its operations. This building is under an operating lease which expires December, 2013. The County pays rent plus a portion of property taxes and snow removal. Total rent paid was \$10,980 for the year ended June 30, 2013.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

Year Ending June 30,	
2014	\$ 12,000
2015	<u>12,000</u>
Total Minimum Payments Required	<u>\$ 24,000</u>

Rental expense for all operating leases was \$20,855 for the year ended June 30, 2013.

Notes to the Financial Statements

(12) Prior Period Adjustment

During the year ended June 30, 2013, management determined the net OPEB obligation balance at June 30, 2012 was not properly reported due to changes in the actuarial assumptions.

The effects of this adjustment on government-wide balances are as follows:

	Net Position - Beginning of Year	Net OPEB Liability
As previously reported.....	\$ 9,479,792	\$ 79,604
Restatement.....	<u>37,780</u>	<u>(37,780)</u>
As Restated.....	<u>\$ 9,517,572</u>	<u>\$ 41,824</u>

There was no effect to the governmental fund balances.

(13) Construction Commitment

The County has entered into a contract totaling \$3,364,544 for the construction of a new wastewater and water treatment facility. As of June 30, 2013, costs of \$1,230,220 on the project have been incurred. The balance of \$2,134,324 remaining on the contract as of June 30, 2013 will be paid as work on the project progresses.

(14) Subsequent Events

Management has evaluated subsequent events through January 30, 2014, the date which the financial statements were available to be issued.

Subsequent to June 30, 2013, the County received a \$1,000,000 grant from the Worth County Development Authority for completion of the wastewater and water treatment project.

In addition, subsequent to June 30, 2013, the County entered into a purchase agreement for the Public Health Building which it has been renting. The County agreed to continue paying \$1,000 in monthly rent until July 1, 2015, at which time final payment of \$327,000 will be due.

Required Supplementary Information

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

Year Ended June 30, 2013

	Actual	Less Funds Not Required to be Budgeted	Net	Budget		Final to Net Variance
				Original	Final	
Receipts						
Property and other						
county tax	\$ 7,488,776	\$ —	\$ 7,488,776	\$ 6,485,482	\$ 6,486,319	\$ 1,002,457
Interest and penalty						
on property tax.....	25,914	—	25,914	24,326	24,326	1,588
Intergovernmental	3,719,127	—	3,719,127	4,945,813	5,148,958	(1,429,831)
Licenses and permits ..	13,865	—	13,865	20,410	20,410	(6,545)
Charges for service	309,401	—	309,401	281,750	281,750	27,651
Use of money and						
property	273,319	—	273,319	204,936	204,936	68,383
Miscellaneous	730,722	216,421	514,301	456,103	491,103	23,198
Total Receipts	<u>12,561,124</u>	<u>216,421</u>	<u>12,344,703</u>	<u>12,418,820</u>	<u>12,657,802</u>	<u>(313,099)</u>
Disbursements						
Public safety and						
legal services.....	2,088,913	—	2,088,913	2,046,732	2,129,894	40,981
Physical health and						
social services	854,391	—	854,391	1,135,315	1,143,315	288,924
Mental health.....	719,501	—	719,501	900,018	900,018	180,517
County environment						
and education.....	919,701	—	919,701	979,278	1,033,519	113,818
Roads and trans-						
portation.....	2,348,143	—	2,348,143	3,119,507	3,119,507	771,364
Governmental						
services to residents..	349,655	—	349,655	375,749	375,749	26,094
Administrative services	1,134,791	—	1,134,791	1,371,853	1,421,853	287,062
Nonprogram	142,013	142,013	—	—	—	—
Debt service	1,510,140	—	1,510,140	1,569,177	1,569,177	59,037
Capital projects	2,334,332	—	2,334,332	6,552,445	6,722,725	4,388,393
Total Disbursements	<u>12,401,580</u>	<u>142,013</u>	<u>12,259,567</u>	<u>18,050,074</u>	<u>18,415,757</u>	<u>6,156,190</u>
Receipts Over (Under)						
Disbursements.....	159,544	74,408	85,136	(5,631,254)	(5,757,955)	5,843,091
Other Financing						
Sources, Net.....	<u>2,915,375</u>	<u>—</u>	<u>2,915,375</u>	<u>4,001,054</u>	<u>4,001,054</u>	<u>(1,085,679)</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	3,074,919	74,408	3,000,511	(1,630,200)	(1,756,901)	<u>\$ 4,757,412</u>
Balance - Beginning of Year	<u>8,740,478</u>	<u>243,138</u>	<u>8,497,340</u>	<u>10,378,228</u>	<u>10,378,228</u>	
Balance - End of Year	<u>\$ 11,815,397</u>	<u>\$ 317,546</u>	<u>\$ 11,497,851</u>	<u>\$ 8,748,028</u>	<u>\$ 8,621,327</u>	

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

Year Ended June 30, 2013

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund 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; nonprogram; debt service; and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$365,683. 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.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2013

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 12,561,124	\$ 110,278	\$ 12,671,402
Expenditures	<u>12,401,580</u>	<u>(656,785)</u>	<u>11,744,795</u>
Net.....	159,544	767,063	926,607
Other financing sources (uses)	2,915,375	(1,230,220)	1,685,155
Beginning fund balances	8,740,478	40,399	8,780,877
Decrease in reserve for inventories	<u>—</u>	<u>(39,136)</u>	<u>(39,136)</u>
Ending Fund Balances	<u>\$ 11,815,397</u>	<u>\$ (461,894)</u>	<u>\$ 11,353,503</u>

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	\$ —	\$ 305,000	\$ 305,000	0%	\$ 2,711,000	11.25%
2011	7-1-09	—	305,000	305,000	0	2,814,000	10.84
2012	7-26-12	—	255,000	255,000	0	2,997,000	8.51
2013	7-26-12	—	255,000	255,000	0	3,022,690	8.45

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information 

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Assets							
Cash, cash equivalents and pooled investments	\$ 73,143	\$ 78,393	\$ 5,581	\$ 592	\$ 4,111	\$ 90,202	\$ 52,092
Receivables							
Property Tax							
Delinquent	116	—	—	—	—	—	—
Succeeding year	329,596	—	—	—	—	—	—
Accounts.....	—	—	441	—	—	—	—
Accrued interest.....	—	13	2	—	—	—	—
Due from other governments	3,736	—	—	—	—	—	—
Total Assets	<u>\$ 406,591</u>	<u>\$ 78,406</u>	<u>\$ 6,024</u>	<u>\$ 592</u>	<u>\$ 4,111</u>	<u>\$ 90,202</u>	<u>\$ 52,092</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 871	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other governments	8	—	—	1	—	—	—
Deferred Revenue							
Succeeding year property tax	329,596	—	—	—	—	—	—
Other	67	—	—	—	—	—	—
Total Liabilities.....	<u>330,542</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balances							
Restricted for							
Mental health purposes	76,049	—	—	—	—	—	—
Drainage warrants/improvement certificates ...	—	—	—	—	—	—	—
Closure	—	—	—	—	4,111	—	—
Other purposes.....	—	78,406	6,024	591	—	90,202	52,092
Total Fund Balances.....	<u>76,049</u>	<u>78,406</u>	<u>6,024</u>	<u>591</u>	<u>4,111</u>	<u>90,202</u>	<u>52,092</u>
Total Liabilities and Fund Balances	<u>\$ 406,591</u>	<u>\$ 78,406</u>	<u>\$ 6,024</u>	<u>\$ 592</u>	<u>\$ 4,111</u>	<u>\$ 90,202</u>	<u>\$ 52,092</u>

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue					Total
	Iowa Ethanol Bond	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	
Assets						
Cash, cash equivalents and pooled investments	\$ 122,335	\$ 743	\$ 5,522	\$ 503,420	\$ 317,546	\$ 1,253,680
Receivables						
Property Tax						
Delinquent	—	—	—	—	—	116
Succeeding year	—	—	—	1,238	—	330,834
Accounts.....	—	—	—	—	—	441
Accrued interest.....	565	—	—	1,363	—	1,943
Due from other governments.....	—	—	—	66,269	—	70,005
Total Assets	\$ 122,900	\$ 743	\$ 5,522	\$ 572,290	\$ 317,546	\$ 1,657,019
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 7,407	\$ 8,278
Due to other governments	—	—	—	—	—	9
Deferred Revenue						
Succeeding year property tax	—	—	—	1,238	—	330,834
Other	—	—	—	—	—	67
Total Liabilities.....	—	—	—	1,238	7,407	339,188
Fund Balances						
Restricted for						
Mental health purposes	—	—	—	—	—	76,049
Drainage warrants/improvement certificates	—	—	—	—	310,139	310,139
Closure	—	—	—	—	—	4,111
Other purposes.....	122,900	743	5,522	571,052	—	927,532
Total Fund Balances.....	122,900	743	5,522	571,052	310,139	1,317,831
Total Liabilities and Fund Balances	\$ 122,900	\$ 743	\$ 5,522	\$ 572,290	\$ 317,546	\$ 1,657,019

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Revenue							
Property and other county tax.....	\$ 423,815	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest and penalty on property tax	23	—	—	—	—	—	—
Intergovernmental	24,186	8,767	—	5,249	—	—	—
Charges for service	—	—	1,670	—	—	9,527	3,949
Use of money and property	—	186	27	—	—	—	—
Miscellaneous.....	6,267	—	—	—	—	—	—
Total Revenue	<u>454,291</u>	<u>8,953</u>	<u>1,697</u>	<u>5,249</u>	<u>—</u>	<u>9,527</u>	<u>3,949</u>
Expenditures							
Operating							
Public safety and legal services.....	—	—	—	6,625	—	726	—
Mental health.....	586,020	—	—	—	—	—	—
Government services to residents	—	—	5,580	—	—	—	—
Nonprogram	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	—	—
Total Expenditures	<u>586,020</u>	<u>—</u>	<u>5,580</u>	<u>6,625</u>	<u>—</u>	<u>726</u>	<u>—</u>
Revenue Over (Under) Expenditures	<u>(131,729)</u>	<u>8,953</u>	<u>(3,883)</u>	<u>(1,376)</u>	<u>—</u>	<u>8,801</u>	<u>3,949</u>
Other Financing Sources (Uses)							
Operating transfers in	—	—	—	1,409	—	—	—
Net Change in Fund Balances	(131,729)	8,953	(3,883)	33	—	8,801	3,949
Fund Balances - Beginning of Year	207,778	69,453	9,907	558	4,111	81,401	48,143
Fund Balances - End of Year	<u>\$ 76,049</u>	<u>\$ 78,406</u>	<u>\$ 6,024</u>	<u>\$ 591</u>	<u>\$ 4,111</u>	<u>\$ 90,202</u>	<u>\$ 52,092</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue					Total
	Iowa Ethanol Bond	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	
Revenue						
Property and other county tax.....	\$ —	\$ —	\$ —	\$ 2,605	\$ —	\$ 426,420
Interest and penalty on property tax	—	—	—	—	—	23
Intergovernmental	—	—	—	687,662	—	725,864
Charges for service	—	—	—	—	—	15,146
Use of money and property	2,696	5,000	—	4,687	—	12,596
Miscellaneous.....	—	—	—	—	216,421	222,688
Total Revenue	<u>2,696</u>	<u>5,000</u>	<u>—</u>	<u>694,954</u>	<u>216,421</u>	<u>1,402,737</u>
Expenditures						
Operating						
Public safety and legal services.....	—	4,695	—	—	—	12,046
Mental health.....	—	—	—	—	—	586,020
Government services to residents	—	—	—	—	—	5,580
Nonprogram	—	—	—	—	149,420	149,420
Debt service	231,600	—	—	—	—	231,600
Capital projects.....	—	—	—	933,369	—	933,369
Total Expenditures	<u>231,600</u>	<u>4,695</u>	<u>—</u>	<u>933,369</u>	<u>149,420</u>	<u>1,918,035</u>
Revenue Over (Under) Expenditures	<u>(228,904)</u>	<u>305</u>	<u>—</u>	<u>(238,415)</u>	<u>67,001</u>	<u>(515,298)</u>
Other Financing Sources (Uses)						
Operating transfers in	—	—	—	—	—	1,409
Net Change in Fund Balances	<u>(228,904)</u>	<u>305</u>	<u>—</u>	<u>(238,415)</u>	<u>67,001</u>	<u>(513,889)</u>
Fund Balances - Beginning of Year	351,804	438	5,522	809,467	243,138	1,831,720
Fund Balances - End of Year	<u>\$ 122,900</u>	<u>\$ 743</u>	<u>\$ 5,522</u>	<u>\$ 571,052</u>	<u>\$ 310,139</u>	<u>\$ 1,317,831</u>

Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds

Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets											
Cash, Cash Equivalents and Pooled Investments											
County treasurer.....	\$ —	\$ 1,166	\$ 367,476	\$ 48,579	\$ 2,560	\$ 15,954	\$ 677	\$ 1,336	\$ 153,683	\$ 420,067	\$ 1,011,498
Other county officials.....	30,756	—	—	—	—	—	—	—	—	—	30,756
Receivables											
Property Tax											
Delinquent.....	—	42	58	1,737	92	1,683	12	3,801	—	—	7,425
Succeeding year.....	—	153,052	184,288	6,242,031	335,959	1,644,300	113,965	—	—	1,676	8,675,271
Accounts.....	—	—	—	—	—	—	—	—	—	19,115	19,115
Accrued interest.....	—	—	—	—	—	—	—	—	—	29	29
Due from other governments.....	—	1,354	1,886	55,988	2,971	10,513	1,212	—	—	15	73,939
Total Assets.....	\$ 30,756	\$ 155,614	\$ 553,708	\$ 6,348,335	\$ 341,582	\$ 1,672,450	\$ 115,866	\$ 5,137	\$ 153,683	\$ 440,902	\$ 9,818,033
Liabilities											
Accounts payable.....	\$ —	\$ —	\$ 146	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,101	\$ 1,247
Due to other funds.....	1,623	—	—	—	—	—	—	—	—	—	1,623
Due to other governments.....	17,538	155,614	550,914	6,348,335	341,582	1,672,450	115,866	5,137	153,683	415,788	9,776,907
Trusts payable.....	11,595	—	—	—	—	—	—	—	—	22,189	33,784
Compensated absences.....	—	—	2,648	—	—	—	—	—	—	1,824	4,472
Total Liabilities.....	\$ 30,756	\$ 155,614	\$ 553,708	\$ 6,348,335	\$ 341,582	\$ 1,672,450	\$ 115,866	\$ 5,137	\$ 153,683	\$ 440,902	\$ 9,818,033

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

Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets											
Balances - Beginning of Year	<u>\$ 43,810</u>	<u>\$ 149,991</u>	<u>\$ 361,958</u>	<u>\$ 6,303,538</u>	<u>\$ 329,479</u>	<u>\$ 1,668,341</u>	<u>\$ 115,661</u>	<u>\$ 4,825</u>	<u>\$ 160,633</u>	<u>\$ 553,029</u>	<u>\$ 9,691,265</u>
Additions											
Property and other county tax.....	—	158,854	192,368	6,483,094	348,695	1,674,664	119,508	387	—	2,094	8,979,664
E911 surcharge	—	—	—	—	—	—	—	—	—	77,199	77,199
State tax credits.....	—	6,792	9,462	282,184	14,911	88,230	5,276	—	—	75	406,930
Office fees and collections.....	298,728	—	—	—	—	—	—	—	—	1,670	300,398
Auto licenses, use tax and postage	—	—	—	—	—	—	—	—	2,340,016	—	2,340,016
Assessments.....	—	—	—	—	—	—	—	34,786	—	—	34,786
Trusts	52,776	—	—	—	—	—	—	—	—	147,399	200,175
Miscellaneous.....	—	—	—	—	—	—	—	—	—	68,885	68,885
From other agency fund - special appraisal	—	—	182,804	—	—	—	—	—	—	—	182,804
Total Additions	<u>351,504</u>	<u>165,646</u>	<u>384,634</u>	<u>6,765,278</u>	<u>363,606</u>	<u>1,762,894</u>	<u>124,784</u>	<u>35,173</u>	<u>2,340,016</u>	<u>297,322</u>	<u>12,590,857</u>
Deductions											
Agency Remittances											
To other funds	139,521	—	—	—	—	—	—	—	71,087	182,807	393,415
To other governments.....	140,471	160,023	192,884	6,720,481	351,503	1,758,785	124,579	34,861	2,275,879	83,843	11,843,309
Trusts paid out.....	84,566	—	—	—	—	—	—	—	—	142,799	227,365
Total Deductions.....	<u>364,558</u>	<u>160,023</u>	<u>192,884</u>	<u>6,720,481</u>	<u>351,503</u>	<u>1,758,785</u>	<u>124,579</u>	<u>34,861</u>	<u>2,346,966</u>	<u>409,449</u>	<u>12,464,089</u>
Balances - End of Year.....	<u>\$ 30,756</u>	<u>\$ 155,614</u>	<u>\$ 553,708</u>	<u>\$ 6,348,335</u>	<u>\$ 341,582</u>	<u>\$ 1,672,450</u>	<u>\$ 115,866</u>	<u>\$ 5,137</u>	<u>\$ 153,683</u>	<u>\$ 440,902</u>	<u>\$ 9,818,033</u>

Schedule of Revenue by Source and Expenditures by Function
All Governmental Funds

Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue										
Property and other county tax.....	\$ 7,531,561	\$ 5,923,942	\$ 5,671,567	\$ 4,987,227	\$ 4,706,289	\$ 4,660,501	\$ 4,817,961	\$ 3,786,710	\$ 3,251,269	\$ 2,533,936
Interest and penalty on property tax	25,914	23,635	24,323	26,506	23,738	23,306	22,208	26,313	24,938	23,346
Intergovernmental	3,912,826	4,668,953	3,264,010	2,951,595	2,854,887	3,126,322	3,109,154	3,162,052	3,771,851	3,219,773
Licenses and permits.....	13,895	18,819	20,665	16,972	28,226	13,393	6,791	7,753	4,018	3,909
Charges for service	304,346	292,826	278,992	319,045	270,134	280,340	269,487	262,579	292,122	261,798
Use of money and property	85,733	88,645	206,083	242,562	213,271	279,526	298,995	212,418	108,187	99,672
Miscellaneous.....	<u>797,127</u>	<u>472,137</u>	<u>552,144</u>	<u>471,382</u>	<u>793,595</u>	<u>601,495</u>	<u>530,999</u>	<u>446,046</u>	<u>575,354</u>	<u>414,027</u>
Total Revenue	<u>\$ 12,671,402</u>	<u>\$ 11,488,957</u>	<u>\$ 10,017,784</u>	<u>\$ 9,015,289</u>	<u>\$ 8,890,140</u>	<u>\$ 8,984,883</u>	<u>\$ 9,055,595</u>	<u>\$ 7,903,871</u>	<u>\$ 8,027,739</u>	<u>\$ 6,556,461</u>
Expenditures										
Operating										
Public safety and legal services	\$ 2,087,278	\$ 1,942,278	\$ 1,743,066	\$ 1,544,558	\$ 1,479,750	\$ 1,353,072	\$ 1,361,097	\$ 1,141,572	\$ 1,144,281	\$ 1,159,239
Physical health and social services	855,672	913,467	942,364	926,164	885,577	929,359	983,323	951,470	886,674	879,418
Mental health	586,020	933,217	762,167	723,653	809,141	876,387	885,789	881,146	769,579	824,134
County environment and education.....	735,599	782,149	759,665	726,114	1,177,175	1,043,541	573,119	511,767	593,839	1,595,051
Roads and transportation	2,342,770	3,065,856	2,918,561	3,421,626	2,295,692	2,495,760	2,968,455	2,191,910	2,651,749	2,042,794
Governmental services to residents	349,489	326,019	312,780	306,064	311,396	265,543	266,808	261,798	257,646	229,174
Administrative services.....	1,198,691	1,082,024	1,180,213	921,540	1,035,640	831,601	800,019	664,192	595,584	602,439
Nonprogram	149,420	147,213	145,709	79,278	65,758	85,217	106,584	110,602	124,566	195,186
Debt service	1,262,699	1,184,042	797,891	714,712	604,313	473,991	344,496	207,523	124,704	57,041
Capital projects.....	<u>2,177,157</u>	<u>3,086,172</u>	<u>3,575,434</u>	<u>4,908,343</u>	<u>2,471,810</u>	<u>526,122</u>	<u>589,045</u>	<u>242,341</u>	<u>895,667</u>	<u>1,184,583</u>
Total Expenditures	<u>\$ 11,744,795</u>	<u>\$ 13,462,437</u>	<u>\$ 13,137,850</u>	<u>\$ 14,272,052</u>	<u>\$ 11,136,252</u>	<u>\$ 8,880,593</u>	<u>\$ 8,878,735</u>	<u>\$ 7,164,321</u>	<u>\$ 8,044,289</u>	<u>\$ 8,769,059</u>

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

Board of Supervisors
Worth County
Northwood, Iowa

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

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the 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 I of the accompanying schedule of findings as items 13-I-R-1, 13-I-R-2, 13-I-R-3 and 13-I-R-4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 13-I-R-5 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Worth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings.

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

Worth County's Responses to Findings

Worth County's responses to the findings identified in our audit are described in the accompanying schedule of findings. Worth 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
January 30, 2014

Schedule of Findings

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies

13-I-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated. For example, we noted various functions are done by the same person at the Auditor, Treasurer, Recorder and Sheriff offices.

We recognize that with a limited number of office employees, segregation of duties is difficult. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We have reviewed the procedures as suggested. We are in the process of cross training employees to further segregate duties.

Auditor's Conclusion - Response accepted.

13-I-R-2 Financial Reporting

Prior Year Finding and Recommendation - During the audit, we identified material amounts of accounts receivable, accounts payable and capital asset additions not recorded or incorrectly recorded in the County's financial statements. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process, were not always included in the capital asset listing at the proper acquisition value.

The County should implement procedures to ensure all receivables, payables, capital asset additions, infrastructure and related depreciation are identified and included in the County's financial statements.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We will adjust our financial statements to properly include those amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Auditor's Conclusion - Response accepted.

Schedule of Findings

13-I-R-3 Financial Statement Preparation

Prior Year Finding and Recommendation - The County does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many organizations of this size, the County has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

The County should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - The County will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

13-I-R-4 Bank Account Reconciliations

Prior Year Finding and Recommendation - During the audit, we noted that the Treasurer does not reconcile bank accounts to the Auditor's book balance on a regular basis. We noted for several accounts, the Treasurer needed to transfer money from the money market account in order for the bank balance to agree to the Auditor's book balance.

We recommend that the Treasurer reconcile each bank account to the Auditor's book balance and make appropriate transfers on a monthly basis. The reconciliation is an important process that provides for a cross-check between the Auditor's books and the Treasurer's books as well as a cross-check of transactions as posted by the bank allowing for immediate correction of the general ledger for mispostings or unposted transactions.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We will discuss bank reconciliations and transfers with the Treasurer's office to ensure they are getting completed in a timely and accurate manner.

Auditor's Conclusion - Response accepted.

Schedule of Findings

13-I-R-5 Budget Process

Finding - The budget is an important and useful financial tool for the County to monitor spending over the various departments. We noted the wastewater treatment project was budgeted in the governmental funds and several other functional expense categories were over budgeted by very large amounts.

Auditor's Recommendation - We recommend each department budget their expenditures and the Auditor monitor the budget throughout the year to assure each department is staying within their budget. Large variances over or under the budget should be investigated.

County's Response - The County will monitor its budget more closely and make amendments as necessary to ensure the budget is being complied with properly.

Auditor's Conclusion - Response accepted.

Instances of Noncompliance

There were no instances of noncompliance reported.

Part II: Other Findings Related to Statutory Reporting

13-II-A Certified Budget - Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

13-II-B Questionable Expenditures - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-II-C Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

13-II-D Business Transactions - Business transactions between the County and County officials and employees which may be conflicts of interest are as follows:

Name, Title and Business Connection	Transaction Description	Amount
Abrams Drainage, owned by son of Ken Abrams of the Board of Supervisors	Drainage tiling and repair	\$ 39,670

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Abrams Drainage do not appear to represent conflicts of interest since services provided were competitively bid.

13-II-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.

Schedule of Findings

13-II-F Board Minutes

Finding - No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes do not document the vote of each member as required by Chapter 21.5(2) of the Code of Iowa.

Auditor's Recommendation - The Board of Supervisors should ensure all Board members' votes are recorded properly to comply with Chapter 21 of the Code of Iowa.

County's Response - This was an oversight. We usually record the vote as required and will do so in the future.

Auditor's Conclusion - Response accepted.

13-II-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.

13-II-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).

13-II-I Economic Development - During the year ended June 30, 2013, the County expended \$139,251 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

13-II-J 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 the statements of net position or activities.

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

13-II-K Separately Maintained Accounts

Finding - We noted accounts for the Sheriff's Reserve Officers that were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

Auditor's Recommendation - These accounts should be turned over to the Treasurer and special revenue funds should be established for these accounts. These funds should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

County's Response - We will consider doing this.

Auditor's Conclusion - Response accepted.

13-II-L Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, and no exceptions were noted.