

BUCHANAN COUNTY
Independence, Iowa

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

June 30, 2014

BUCHANAN COUNTY
Independence, Iowa

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BUCHANAN COUNTY
Independence, Iowa

OFFICIALS

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

Cindy Gosse County Auditor January 2017
Amy Wright County Treasurer January 2015
Diane Curry County Recorder January 2015
Bill Wolfgram County Sheriff January 2017
Shawn Harden County Attorney January 2015
Brad Harms County Assessor Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report

To the Officials of Buchanan County
Independence, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 – 11 and 48 – 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplemental information included in Schedules 1 to 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of Buchanan County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buchanan County, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Buchanan County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 17.36%, or approximately \$3,039,021, from fiscal 2013 to fiscal 2014. Property tax decreased approximately \$246,457, charges for services increased \$806,057, operating grants decreased by \$88,039, and capital grants and contributions increased approximately \$2,565,961.
- Program expenses were 11.74% or approximately \$1,681,102, more in fiscal 2014 than in fiscal 2013. Roads and Transportation expense increased approximately \$1,526,989 while Mental Health expense decreased \$260,148.
- The County's net position increased 13.02% or approximately \$4,544,075, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

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

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Buchanan County's combined net position increased from a year ago, from \$34.889 million to \$39.433 million. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2014	2013
Current and Other Assets	\$18,608	\$18,968
Capital Assets (Net of Depreciation)	37,825	33,203
Total Assets	56,433	52,171
Long-Term Debt Outstanding	8,882	9,057
Other Liabilities	1,134	1,183
Total Liabilities	10,016	10,240
Deferred Inflows of Resources	6,984	7,042
Net Position:		
Net Investment in Capital Assets	33,201	28,487
Restricted	8,392	8,460
Unrestricted	(2,160)	(2,058)
Total Net Position	\$39,433	\$34,889

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of Buchanan County's governmental activities increased 13.02% (\$39.433 million compared to \$34.889 million). The largest portion of the County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$(2,057,682) at June 30, 2013 to \$(2,160,171) at the end of this year, a substantial decrease.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30, 2014	Year ended June 30, 2013
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,270	\$ 1,464
Operating Grants, Contributions and Restricted Interest	4,471	4,559
Capital Grants, Contributions and Restricted Interest	5,115	2,549
General Revenues:		
Property Tax	7,050	7,296
Penalty and Interest on Property Tax	54	64
State Tax Credits	377	343
Local Option Sales Tax	923	896
Unrestricted Investment Earning	42	51
Other General Revenues	245	286
Total Revenues	20,547	17,508
Program Expenses:		
Public Safety and Legal Services	3,433	3,242
Physical Health and Social Services	553	564
Mental Health	991	1,251
County Environment and Education	1,123	1,220
Roads and Transportation	6,867	5,340
Governmental Services to Residents	650	729
Administration	1,427	1,453
Non-Program	670	217
Interest on Long-Term Debt	289	306
Total Expenses	16,003	14,322
Increase in Net Position	4,544	3,186
Net Position Beginning of Year	34,889	31,703
Net Position End of Year	\$39,433	\$34,889

The results of governmental activities for the year resulted in Buchanan County's net position increasing by approximately \$4,544,075. Revenues for governmental activities increased by approximately \$3,039,021 from the prior year, with operating and capital grant revenue up from the prior year by approximately \$2,477,922.

The cost of all governmental activities this year was \$16,002,662 compared to \$14,321,560 last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$4,146,750 because some of the cost was paid by those directly benefiting from the programs \$2,270,039 or by other governments and organizations that subsidized certain programs with grants and contributions \$9,585,873. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2014 from approximately \$8,571,933 to \$11,855,912. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$7,049,879 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$10,374,468, a decrease of \$295,695 from last year's total of \$10,670,163. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed a slight increase of \$8,268 from the prior year to \$2,367,897.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$852,976. The Mental Health Fund balance at year end increased by approximately \$469,049 from the prior year.
- The Rural Services Fund revenues and expenditures increased slightly over the prior year. The ending fund balance showed an increase of \$162,764 from the prior year to \$759,673.
- Secondary Roads Fund expenditures increased by approximately \$1,593,841 over the prior year. The Secondary Roads Fund ending balance decreased approximately \$774,970.
- The Debt Service Fund showed an increase in fund balance of \$1,763 to end the fiscal year with a balance of \$2,982,590.

BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget three times. The amendments were made in August 2013, April 2014, and May 2014. The amendments were made for the continuation of the narrow banding/tower project; increase in medical examiner fees; and additional grants were received in the Public Health Department, Environmental Health Department and Conservation Department. During the fiscal year the Case Management Department was transferred from the Mental Health Fund to the General Fund due to the regionalization of mental health.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Buchanan County had approximately \$54,511,663 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$5,989,580 or 12% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 2,608	\$ 2,608
Buildings and Improvements	9,840	8,857
Equipment and Vehicles	8,556	7,866
Infrastructure	33,508	26,973
Construction in Process	0	2,218
Total	\$54,512	\$48,522
This year's major additions include		
Infrastructure	\$ 6,535	
Communications Buildings and Equipment	1,199	
Secondary Road Equipment	398	
Sheriff Vehicles	114	
Secondary Road Shop	214	
Total	\$ 8,460	

The County had depreciation expense of \$1,764,608 in fiscal year 2014 and total accumulated depreciation of \$16,686,472 at June 30, 2014.

The County's fiscal year 2014 capital projects budget included \$1,405,881 for capital projects, principally for the upgrading of secondary roads and bridges and construction for the Narrowband Radio Tower Project. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2014 Buchanan County had approximately \$8,315,154 in general obligation notes and other debt outstanding compared to approximately \$8,606,141 at June 30, 2013, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2014	2013
General Obligation Notes	\$ 71	\$ 84
General Obligation Bonds	7,870	8,145
Installment Purchases	43	86
Compensated Absences	331	291
Total	<u>\$8,315</u>	<u>\$8,606</u>

Buchanan County had general obligation bonds outstanding at June 30, 2014 of \$7,870,000. During 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds with \$3,105,000 to be used to refund the outstanding Jail Bonds which will be callable on June 1, 2017. This refunding was undertaken to reduce total debt service payments by \$154,685 and to obtain an economic gain of \$122,777. The bonds will be paid with property tax revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$81 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Buchanan County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various County services. One of those factors is the economy. Unemployment in the County stands at 5% versus 5.4% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 5.6%.

These indicators were taken into account when adopting the budget for fiscal year 2015. With the increase in valuations, the County was able to stabilize their levies.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 7,653,996
Receivables:	
Property Tax:	
Delinquent	6,450
Succeeding Year	6,984,203
Interest and Penalty On Property Tax	107
Accounts	87,882
Accrued Interest	1,021
Due From Other Governments	535,485
Resources Held in Escrow for Bond Refunding	2,967,500
Inventories	303,367
Prepaid Insurance	68,229
Capital Assets (Net of Accumulated Depreciation)	37,825,191
TOTAL ASSETS	56,433,431
 LIABILITIES	
Accounts Payable	975,904
Accrued Interest Payable	23,226
Salaries and Benefits Payable	104,123
Due To Other Governments	31,000
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	7,539
General Obligation Bonds	280,000
Installment Purchase	43,029
Compensated Absences	330,947
Portion Due Or Payable After One Year:	
General Obligation Notes	63,639
General Obligation Bonds	7,590,000
Net OPEB Liability	567,054
TOTAL LIABILITIES	10,016,461
 DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenues	6,984,203

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
NET POSITION	
Net Investment in Capital Assets	\$33,201,727
Restricted For:	
Supplemental Levy Purposes	359,965
Mental Health Purposes	1,797,903
Rural Services Purposes	759,870
Secondary Roads Purposes	2,061,387
Debt Service	2,959,713
Other Purposes	452,373
Unrestricted	<u>(2,160,171)</u>
TOTAL NET POSITION	<u><u>\$39,432,767</u></u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

	<u>Program Revenues</u>				
	Operating		Capital Grants, Net (Expense)		
	Grants, Contributions, and Restricted		Contributions, and Restricted		Revenue and Change in
	Charges for	Service	Interest	Interest	Net Position
	<u>Expenses</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>	<u>Net Position</u>
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$ 3,432,801	\$ 518,226	\$ 44,486	\$ 0	\$(2,870,089)
Physical Health and Social Services	553,100	257,689	214,470	0	(80,941)
Mental Health	990,681	0	331,001	0	(659,680)
County Environment and Education	1,123,462	51,268	84,564	0	(987,630)
Roads and Transportation	6,866,827	165,066	3,795,429	5,114,779	2,208,447
Governmental Services to Residents Administration	649,953	352,871	1,144	0	(295,938)
Administration	1,426,663	236,075	0	0	(1,190,588)
Non-Program	670,305	688,844	0	0	18,539
Interest on Long-Term Debt	288,870	0	0	0	(288,870)
TOTAL	<u>\$16,002,662</u>	<u>\$2,270,039</u>	<u>\$4,471,094</u>	<u>\$5,114,779</u>	<u>(4,146,750)</u>
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					6,694,891
Debt Service					354,988
Penalty and Interest on Property Tax					54,124
State Tax Credits					376,876
Local Option Sales Tax					923,518
Unrestricted Investment Earnings					41,950
Miscellaneous					240,055
Gain on Disposal of Capital Assets					4,423
TOTAL GENERAL REVENUES					<u>8,690,825</u>
CHANGE IN NET POSITION					4,544,075
NET POSITION BEGINNING OF YEAR					<u>34,888,692</u>
NET POSITION END OF YEAR					<u>\$39,432,767</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

		<u>Special Revenue</u>
ASSETS	<u>General</u>	<u>Mental Health</u>
Cash, Cash Equivalents and Pooled Investments	\$2,317,368	\$1,849,762
Receivables:		
Property Tax:		
Delinquent	4,169	956
Succeeding Year	4,093,510	939,361
Interest and Penalty on Property Tax	107	0
Accounts	46,087	0
Accrued Interest	997	0
Due From Other Governments	74,982	17
Resources Held in Escrow for Bond Refunding	0	0
Prepaid Insurance	40,954	391
Inventories	0	0
	<hr/>	<hr/>
TOTAL ASSETS	\$6,578,174	\$2,790,487
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 57,218	\$ 29,809
Salaries and Benefits Payable	46,185	1,724
Due To Other Governments	9,301	21,299
Total Liabilities	<hr/> 112,704	<hr/> 52,832
Deferred Inflows of Resources:		
Unavailable Revenues:		
Succeeding Year Property Tax	4,093,510	939,361
Other	4,063	931
Total Deferred Inflows of Resources	<hr/> 4,097,573	<hr/> 940,292

See Notes To Financial Statements

Exhibit C

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 646,182	\$2,207,112	\$ 15,081	\$238,538	\$ 7,274,043
967	0	358	0	6,450
1,600,457	0	350,875	0	6,984,203
0	0	0	0	107
255	41,170	0	370	87,882
0	0	0	24	1,021
145,864	314,622	0	0	535,485
0	0	2,967,500	0	2,967,500
766	26,118	0	0	68,229
0	303,367	0	0	303,367
<u>\$2,394,491</u>	<u>\$2,892,389</u>	<u>\$3,333,814</u>	<u>\$238,932</u>	<u>\$18,228,287</u>
\$ 14,346	\$ 618,507	\$ 0	\$ 8,307	\$ 728,187
18,652	37,562	0	0	104,123
400	0	0	0	31,000
<u>33,398</u>	<u>656,069</u>	<u>0</u>	<u>8,307</u>	<u>863,310</u>
1,600,457	0	350,875	0	6,984,203
963	0	349	0	6,306
<u>1,601,420</u>	<u>0</u>	<u>351,224</u>	<u>0</u>	<u>6,990,509</u>

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2014

	General	Special Revenue Mental Health
Fund Balances:		
Nonspendable:		
Inventories	\$ 0	\$ 0
Prepaid Infrastructure	40,954	391
Restricted For:		
Supplemental Levy Purposes	359,017	0
Mental Health Purposes	0	1,796,972
Rural Services Purposes	0	0
Secondary Roads Purposes	0	0
Drainage Warrants	0	0
Conservation Land Acquisition Purposes	268,085	0
Debt Service	0	0
Capital Projects	0	0
Other Purposes	0	0
Assigned for Sheriff	171,676	0
Assigned for Conservation	10,446	0
Unassigned	1,517,719	0
Total Fund Balances	2,367,897	1,797,363
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$6,578,174	 \$2,790,487

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue		Debt Service	Nonmajor	Total
Rural Services	Secondary Roads			
\$ 0	\$ 303,367	\$ 0	\$ 0	\$ 303,367
766	26,118	0	0	68,229
0	0	0	0	359,017
0	0	0	0	1,796,972
758,907	0	0	0	758,907
0	1,906,835	0	0	1,906,835
0	0	0	4,051	4,051
0	0	0	0	268,085
0	0	2,982,590	0	2,982,590
0	0	0	114,566	114,566
0	0	0	112,008	112,008
0	0	0	0	171,676
0	0	0	0	10,446
0	0	0	0	1,517,719
759,673	2,236,320	2,982,590	230,625	10,374,468
\$2,394,491	\$2,892,389	\$3,333,814	\$238,932	\$18,228,287

BUCHANAN COUNTY
Independence, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Governmental Fund Balances (Page 18)	\$10,374,468
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$54,511,663 and the accumulated depreciation is \$16,686,472.	37,825,191
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.	6,306
The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	132,236
Long-term liabilities, including bonds payable, notes payable, compensated absences payable, installment purchases payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(8,905,434)</u>
Net Position of Governmental Activities (Page 14)	<u><u>\$39,432,767</u></u>

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Special Revenue Mental Health
REVENUES:		
Property and Other County Tax	\$4,099,701	\$ 939,424
Local Option Sales Tax	0	0
Interest and Penalty on Property Tax	54,124	0
Intergovernmental	962,749	381,106
Licenses and Permits	125	0
Charges for Service	598,617	0
Use of Money and Property	64,159	0
Miscellaneous	145,559	1,495
Total Revenues	5,925,034	1,322,025
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	2,321,050	0
Physical Health and Social Services	504,708	0
Mental Health	120,154	852,976
County Environment and Education	641,617	0
Roads and Transportation	0	0
Governmental Services to Residents	614,335	0
Administration	1,348,626	0
Non-Program	51,057	0
Debt Service	43,030	0
Capital Projects	44,104	0
Total Expenditures	5,688,681	852,976
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,353	469,049
Other Financing Sources (Uses):		
Sale of Capital Assets	0	0
Transfers In	7,500	0
Transfers Out	(235,585)	0
Total Other Financing Sources (Uses)	(228,085)	0
Net Change in Fund Balances	8,268	469,049
Fund Balances Beginning of Year	2,359,629	1,328,314
Decrease in Reserve For Inventories	0	0
Fund Balances End of Year	\$2,367,897	\$1,797,363

See Notes To Financial Statements

Exhibit E

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 1,657,356	\$ 0	\$ 355,151	\$ 0	\$ 7,051,632
923,518	0	0	0	923,518
0	0	0	0	54,124
224,546	3,795,430	18,855	16,492	5,399,178
20,775	11,860	0	0	32,760
3,785	0	0	3,944	606,346
182,095	0	32,300	304	278,858
4,500	234,397	0	8,205	394,156
3,016,575	4,041,687	406,306	28,945	14,740,572
984,298	0	0	320	3,305,668
42,676	0	0	0	547,384
0	0	0	0	973,130
425,157	0	0	5,150	1,071,924
0	5,761,263	0	0	5,761,263
4,203	0	0	9,996	628,534
0	0	0	0	1,348,626
0	0	0	2,234	53,291
0	0	565,128	4,000	612,158
0	457,859	0	162,314	664,277
1,456,334	6,219,122	565,128	184,014	14,966,255
1,560,241	(2,177,435)	(158,822)	(155,069)	(225,683)
0	4,425	0	0	4,425
0	1,472,477	160,585	0	1,640,562
(1,397,477)	0	0	(7,500)	(1,640,562)
(1,397,477)	1,476,902	160,585	(7,500)	4,425
162,764	(700,533)	1,763	(162,569)	(221,258)
596,909	3,011,290	2,980,827	393,194	10,670,163
0	(74,437)	0	0	(74,437)
\$ 759,673	\$ 2,236,320	\$2,982,590	\$ 230,625	\$10,374,468

**BUCHANAN COUNTY
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Change in Fund Balances - Total Governmental Funds (Page 21) \$ (221,258)

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

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

Expenditures for Capital Assets	\$ 1,272,147	
Capital Assets Contributed by the Iowa Department of Transportation	5,114,779	
Depreciation	<u>(1,764,608)</u>	4,622,318

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (2)

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

Property Tax		2,342
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances as follows:

Repaid		330,359
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See Notes to Financial Statements

BUCHANAN COUNTY
Independence, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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	\$ (39,372)	
Other Postemployment Benefits	(116,608)	
Interest on Long-Term Debt	<u>1,258</u>	\$ (154,722)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net position is exhausted. (74,437)

The Internal Service Fund is used by management to charge the costs of health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 39,475

Change in Net Position of Governmental Activities (Page 14) \$4,544,075

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Internal Service Employee Group Health
	<hr/>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$379,953
	<hr/> <hr/>
LIABILITIES	
Accounts Payable	247,717
	<hr/>
NET POSITION	
Unrestricted	\$132,236
	<hr/> <hr/>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

Year Ended June 30, 2014

	<u>Internal Service Employee Group Health</u>
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,746,690
Reimbursements From Employees	99,962
Miscellaneous	555,628
Total Operating Revenues	<u>2,402,280</u>
OPERATING EXPENSES:	
Medical Claims	1,988,451
Insurance Premiums	355,469
Administrative Fees	19,667
Total Operating Expenses	<u>2,363,587</u>
Operating Income	38,693
NON-OPERATING REVENUES:	
Interest on Investments	<u>782</u>
Net Income	39,475
Net Position Beginning of Year	<u>92,761</u>
Net Position End of Year	<u><u>\$ 132,236</u></u>

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>Internal Service Employee Group Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,746,690
Cash Received From Employees and Others	655,590
Cash Payments To Suppliers For Services	(2,571,401)
Net Cash Used in Operating Activities	<u>(169,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>782</u>
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(168,339)
Cash, Cash Equivalents and Pooled Investments Beginning of Year	<u>548,292</u>
Cash, Cash Equivalents and Pooled Investments End of Year	<u><u>\$ 379,953</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Income	\$ 38,693
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:	
Decrease In Accounts Payable	<u>(207,814)</u>
Net Cash Used in Operating Activities	<u><u>\$ (169,121)</u></u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,060,337
Other County Officials	46,746
Receivables:	
Property Tax:	
Delinquent	584
Succeeding Year	21,316,472
Accounts	25,371
Accrued Interest	42
TOTAL ASSETS	<u>22,449,552</u>

LIABILITIES

Accounts Payable	2,343
Salaries and Benefits Payable	1,226
Due To Other Governments	22,368,689
Trusts Payable	65,290
Compensated Absences	12,004
TOTAL LIABILITIES	<u>22,449,552</u>

NET POSITION	<u>\$ 0</u>
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See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. REPORTING ENTITY (CONTINUED)

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

B. BASIS OF PRESENTATION

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

The County reports the following major governmental funds:

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

Special Revenue

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

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

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

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

Additionally, the County reports the following funds:

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Deferred Inflows of Resources – Although certain revenues are measurable, they are 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

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

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded amounts budgeted in the Public Safety and Legal Services and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,244,354, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014, is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: REAP	\$ 7,500
Special Revenue: Secondary Roads	General	75,000
	Special Revenue: Rural Services	1,397,477
Debt Service	General	<u>160,585</u>
Total		<u><u>\$1,640,562</u></u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,608,031	\$ 0	\$ 0	\$ 2,608,031
Construction in Process	2,218,237	0	2,218,237	0
Total Capital Assets Not Being Depreciated	4,826,268	0	2,218,237	2,608,031
Capital Assets Being Depreciated:				
Buildings and Improvements	8,857,442	982,549	0	9,839,991
Machinery and Equipment	6,757,221	976,633	295,028	7,438,826
Vehicles	1,107,983	128,515	119,683	1,116,815
Infrastructure	26,973,169	6,534,831	0	33,508,000
Total Capital Assets Being Depreciated	43,695,815	8,622,528	414,711	51,903,632
Less Accumulated Depreciation for:				
Buildings and Improvements	2,186,029	188,344	0	2,374,373
Machinery and Equipment	4,623,747	361,985	292,709	4,693,023
Vehicles	737,755	118,590	104,635	751,710
Infrastructure	7,771,677	1,095,689	0	8,867,366
Total Accumulated Depreciation	15,319,208	1,764,608	397,344	16,686,472
Total Capital Assets Being Depreciated, Net	28,376,607	6,857,920	17,367	35,217,160
Governmental Activities Capital Assets, Net	\$33,202,875	\$6,857,920	\$2,235,604	\$37,825,191

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 184,845
Mental Health	7,813
County Environment and Education	61,878
Roads and Transportation	1,443,395
Governmental Services to Residents	9,622
Administration	57,055
Total Depreciation Expense – Governmental Activities	\$1,764,608

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 9,301
Special Revenue:		
Mental Health	Services	21,299
Rural Services	Services	400
		<u>31,000</u>
	Total for Governmental Funds	<u>\$ 31,000</u>
Agency:		
Agricultural Extension	Collections	\$ 198,378
Assessor		491,652
Schools		13,830,085
Community Colleges		874,889
Corporations		5,039,463
Auto License and Use Tax		462,623
All Other		<u>1,471,599</u>
	Total for Agency Funds	<u>\$22,368,689</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014, is as follows:

	General Obligation Notes and Bonds	Conservation Notes	Fire Equipment Notes	Voting Equipment Contract	Compensated Absences	Total
Balance Beginning of Year	\$8,145,000	\$44,000	\$39,507	\$86,059	\$291,575	\$8,606,141
Increases	0	0	0	0	330,947	330,947
Decreases	275,000	4,000	8,329	43,030	291,575	621,934
Balance End of Year	<u>\$7,870,000</u>	<u>\$40,000</u>	<u>\$31,178</u>	<u>\$43,029</u>	<u>\$330,947</u>	<u>\$8,315,154</u>
Due Within One Year	<u>\$ 280,000</u>	<u>\$ 4,000</u>	<u>\$ 3,539</u>	<u>\$43,029</u>	<u>\$330,947</u>	<u>\$ 661,515</u>

Notes to Financial Statements (Continued)

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

Notes and Bonds Payable

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

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

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

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

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.85%	\$ 195,000	\$173,973	\$ 368,973
2016	4.85%	205,000	164,515	369,515
2017	4.90%	3,055,000	154,573	3,209,573
		\$3,455,000	\$493,061	\$3,948,061

Notes to Financial Statements (Continued)

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

Notes and Bonds Payable (Continued)

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	2.00%	\$ 85,000	\$104,740	\$ 189,740
2016	2.00%	85,000	103,040	188,040
2017	2.00%	90,000	101,340	191,340
2018	2.00%	370,000	99,540	469,540
2019	2.00%	385,000	92,140	477,140
2020-2024	2.00-2.50%	2,050,000	335,380	2,385,380
2025-2027	2.65-2.90%	1,350,000	76,880	1,426,880
		<u>\$4,415,000</u>	<u>\$913,060</u>	<u>\$5,328,060</u>

Conservation Contract

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

Year Ending June 30,	Principal
2015	\$ 4,000
2016	4,000
2017	4,000
2018	4,000
2019	4,000
2020-2024	<u>20,000</u>
	<u>\$40,000</u>

Township Fire Equipment Notes

During the fiscal year ended June 30, 2013, the County entered into a township fire equipment note on behalf of Perry Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Perry Township. The interest rate is set at 4.38%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2019.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.38%	\$ 1,985	\$ 438	\$ 2,423
2016	4.38%	4,112	735	4,847
2017	4.38%	4,294	553	4,847
2018	4.38%	4,489	358	4,847
2019	4.38%	4,671	156	4,827
		<u>\$19,551</u>	<u>\$2,240</u>	<u>\$21,791</u>

Notes to Financial Statements (Continued)

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

Township Fire Equipment Notes (Continued)

During the fiscal year ended June 30, 2013, the County entered into a township fire equipment note on behalf of Westburg Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Westburg Township. The interest rate is set at 4.30%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2018.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.30%	\$ 1,554	\$ 256	\$ 1,810
2016	4.30%	3,215	404	3,619
2017	4.30%	3,356	263	3,619
2018	4.30%	3,502	115	3,617
		<u>\$11,627</u>	<u>\$1,038</u>	<u>\$12,665</u>

Voting Equipment Contract

During the fiscal year ended June 30, 2014, the County entered into a contract for the purchase of voting equipment. The contract was for \$129,089 to be paid in annual installments over three years. The contract is free of interest. A summary of the contract payments is as follows:

Year Ending June 30,	Principal
2015	<u>\$43,029</u>

Note 7: Pension and Retirement Benefits

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

Most plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$459,470, \$422,584, and \$405,355, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 8: Risk Management

Buchanan 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 700 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 estimated for the fiscal 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 basis rate 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$139,041.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bonds in the amount of \$1,000,000 and \$20,000, respectively with an additional \$230,000 coverage on the Treasurer. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Auxiant, as the plan administrator, makes monthly payments of service fees and claims processed from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$1,746,690.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan (Continued)

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$247,717, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$132,236 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund total net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid Claims Beginning of Year	\$ 455,531
Incurred Claims (Including Claims Incurred But Not Reported at June 30, 2014)	1,988,451
Payments on Claims During Fiscal Year	<u>2,196,265</u>
Unpaid Claims End of Year	<u>\$ 247,717</u>

Note 10: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 106 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

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

Notes to Financial Statements (Continued)

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$132,741
Interest on Net OPEB Obligation	11,261
Adjustment to Annual Required Contribution	(23,604)
Annual OPEB Cost	120,398
Contributions Made	(3,790)
Increase in Net OPEB Obligation	116,608
Net OPEB Obligation Beginning of the Year	450,446
Net OPEB Obligation End of the Year	<u>\$567,054</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, 2014.

For the year ended June 30, 2014, the County contributed \$3,790 to the medical plan. Plan members eligible for benefits contributed \$8,074, or 53.06% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$126,867	3.25%	\$335,499
2013	120,373	4.51	450,446
2014	120,398	3.15	567,054

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,190,565, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,190,565. The covered payroll (annual payroll of active employees covered by the plan) was \$4,544,165, and the ratio of the UAAL to the covered payroll was 27.85%. As of June 30, 2014, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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

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

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

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

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

Note 11: Commitments and Contingencies

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

Note 12: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2014.

Notes to Financial Statements (Continued)

Note 13: Budget Over-expenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2014, disbursements exceeded amounts budgeted in the Public Safety and Legal Services and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

Note 14: 28E Agreement

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

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2014 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

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

Note 15: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 16: Subsequent Events

Management evaluated subsequent events through March 27, 2015, the date the financial statements were available to be issued.

BUCHANAN COUNTY
Independence, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014**

	Actual	Less Funds Not Required To Be		Budgeted Amounts		Final to Actual Variance Positive (Negative)
		Budgeted	Net	Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 7,975,592	\$ 0	\$ 7,975,592	\$ 7,991,221	\$ 7,991,221	\$ (15,629)
Interest and Penalty on Property Tax	56,137	0	56,137	26,338	26,338	29,799
Intergovernmental	5,439,514	0	5,439,514	5,595,007	5,635,284	(195,770)
Licenses and Permits	34,830	0	34,830	34,610	34,610	220
Charges for Service	592,683	0	592,683	568,125	568,125	24,558
Use of Money and Property	278,787	0	278,787	226,794	61,540	217,247
Miscellaneous	404,595	5,005	399,590	175,320	366,189	33,401
Total Receipts	14,782,138	5,005	14,777,133	14,617,415	14,683,307	93,826
DISBURSEMENTS:						
Public Safety and Legal Services	3,302,197	0	3,302,197	3,237,849	3,292,437	(9,760)
Physical Health and Social Services	543,092	0	543,092	596,352	614,871	71,779
Mental Health	1,026,180	0	1,026,180	1,230,484	1,230,484	204,304
County Environment and Education	1,085,633	0	1,085,633	1,087,648	1,111,456	25,823
Roads and Transportation	5,427,225	0	5,427,225	6,334,700	6,334,700	907,475
Governmental Services to Residents	620,429	0	620,429	745,019	745,019	124,590
Administration	1,347,760	0	1,347,760	1,470,135	1,502,205	154,445
Non-Program	55,630	2,234	53,396	59,875	60,276	6,880
Debt Service	612,158	0	612,158	420,218	537,773	(74,385)
Capital Projects	780,474	0	780,474	1,129,000	1,405,881	625,407
Total Disbursements	14,800,778	2,234	14,798,544	16,311,280	16,835,102	2,036,558
Excess (Deficiency) of Receipts Under Disbursements	(18,640)	2,771	(21,411)	(1,693,865)	(2,151,795)	2,130,384
Other Financing Sources, Net	4,425	0	4,425	9,500	9,500	(5,075)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(14,215)	2,771	(16,986)	(1,684,365)	(2,142,295)	2,125,309
Balance Beginning of Year	10,255,758	1,280	10,254,478	5,333,124	7,244,612	3,009,866
Balance End of Year	\$10,241,543	\$4,051	\$10,237,492	\$ 3,648,759	\$ 5,102,317	\$5,135,175

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,782,138	\$ (41,566)	\$14,740,572
Expenditures	14,800,778	165,477	14,966,255
Net	(18,640)	(207,043)	(225,683)
Other Financing Sources, Net	4,425	0	4,425
Beginning Fund Balances	10,255,758	414,405	10,670,163
Decrease in Reserve For Inventories	0	(74,437)	(74,437)
Ending Fund Balances	\$10,241,543	\$ 132,925	\$10,374,468

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$523,822. 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, 2014, disbursements exceeded the amount budgeted in the Public Safety and Legal Services and Debt Service functions and disbursements in certain departments exceeded the amounts appropriated.

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN
THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$1,013	\$1,013	0%	\$3,810	26.59%
2011	July 1, 2009	0	1,013	1,013	0	4,005	24.94
2012	July 1, 2009	0	1,013	1,013	0	4,279	23.68
2013	July 1, 2012	0	1,265	1,265	0	4,318	29.31
2014	July 1, 2012	0	1,191	1,191	0	4,544	27.85

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue	
	Sherriff's Forfeiture	Sheriff's Federal Forfeiture
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$3,107	\$41
Receivables:		
Accounts	0	0
Accrued Interest	0	0
	\$3,107	\$41
TOTAL ASSETS	\$3,107	\$41
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 0	\$ 0
Fund Balances:		
Restricted For:		
Drainage	0	0
Capital Projects	0	0
Other Purposes	3,107	41
Total Fund Balances	3,107	41
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$3,107	\$41

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$80,969	\$35,319	\$285	\$4,051	\$114,766	\$238,538
0	370	0	0	0	370
17	7	0	0	0	24
\$80,986	\$35,696	\$285	\$4,051	\$114,766	\$238,932
\$ 0	\$ 8,107	\$ 0	\$ 0	\$ 200	\$ 8,307
0	0	0	4,051	0	4,051
0	0	0	0	114,566	114,566
80,986	27,589	285	0	0	112,008
80,986	27,589	285	4,051	114,566	230,625
\$80,986	\$35,696	\$285	\$4,051	\$114,766	\$238,932

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
REVENUES:		
Intergovernmental	\$ 0	\$ 0
Charges for Service	0	0
Use of Money and Property	1	0
Miscellaneous	3,200	0
Total Revenues	3,201	0
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	320	0
County Environment and Education	0	0
Governmental Services to Residents	0	0
Non-Program	0	0
Debt Service	0	0
Capital Projects	0	0
Total Expenditures	320	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,881	0
Other Financing Uses:		
Transfers Out	0	0
Total Other Financing Uses	0	0
Net Change in Fund Balances	2,881	0
Fund Balances Beginning of Year	226	41
Fund Balances End of Year	\$3,107	\$41

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$16,492	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,492
0	3,944	0	0	0	3,944
209	94	0	0	0	304
0	0	0	5,005	0	8,205
16,701	4,038	0	5,005	0	28,945
0	0	0	0	0	320
5,150	0	0	0	0	5,150
0	9,996	0	0	0	9,996
0	0	0	2,234	0	2,234
4,000	0	0	0	0	4,000
0	0	0	0	162,314	162,314
9,150	9,996	0	2,234	162,314	184,014
7,551	(5,958)	0	2,771	(162,314)	(155,069)
(7,500)	0	0	0	0	(7,500)
(7,500)	0	0	0	0	(7,500)
51	(5,958)	0	2,771	(162,314)	(162,569)
80,935	33,547	285	1,280	276,880	393,194
\$80,986	\$27,589	\$285	\$4,051	\$ 114,566	\$ 230,625

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, Cash Equivalents and Pooled				
County Treasurer	\$ 0	\$ 1,985	\$197,868	\$ 139,003
Other County Officials	46,746	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	5	8	320
Succeeding Year	0	196,388	303,595	13,690,762
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
TOTAL ASSETS	\$46,746	\$198,378	\$501,471	\$13,830,085
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	810	0
Due To Other Governments	0	198,378	491,652	13,830,085
Trusts Payable	46,746	0	0	0
Compensated Absences	0	0	9,009	0
TOTAL LIABILITIES	\$46,746	\$198,378	\$501,471	\$13,830,085

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 8,624 0	\$ 36,203 0	\$ 3,234 0	\$462,623 0	\$ 210,797 0	\$ 1,060,337 46,746
21 866,244 0 0	204 5,003,056 0 0	1 287,049 0 0	0 0 0 0	25 969,378 25,371 42	584 21,316,472 25,371 42
<u>\$874,889</u>	<u>\$5,039,463</u>	<u>\$290,284</u>	<u>\$462,623</u>	<u>\$1,205,613</u>	<u>\$22,449,552</u>
\$ 0 0 874,889 0 0	\$ 0 0 5,039,463 0 0	\$ 0 0 290,284 0 0	\$ 0 0 462,623 0 0	\$ 2,343 416 1,181,315 18,544 2,995	\$ 2,343 1,226 22,368,689 65,290 12,004
<u>\$874,889</u>	<u>\$5,039,463</u>	<u>\$290,284</u>	<u>\$462,623</u>	<u>\$1,205,613</u>	<u>\$22,449,552</u>

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**
Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$ 50,043	\$199,130	\$517,945	\$13,947,067
Additions:				
Property and Other County Tax	0	196,402	303,617	13,681,148
E911 Surcharge	0	0	0	0
State Tax Credits	0	10,482	16,457	729,977
Office Fees and Collections	460,430	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	146,500	0	0	0
Miscellaneous	0	0	385	0
Total Additions	606,930	206,884	320,459	14,411,125
Deductions:				
Agency Remittances:				
To Other Funds	223,036	0	0	0
To Other Governments	245,117	207,636	336,933	14,528,107
Trusts Paid Out	142,074	0	0	0
Total Deductions	610,227	207,636	336,933	14,528,107
Balances End of Year	\$ 46,746	\$198,378	\$501,471	\$13,830,085

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Totals
\$867,674	\$4,781,278	\$274,389	\$ 483,052	\$1,177,867	\$22,298,445
866,085	4,967,734	288,613	0	969,438	21,273,037
0	0	0	0	180,758	180,758
45,597	233,657	14,603	0	51,008	1,101,781
0	0	0	0	0	460,430
0	0	0	6,391,290	0	6,391,290
0	0	0	0	26,101	26,101
0	0	0	0	276,681	423,181
0	0	0	0	142,958	143,343
911,682	5,201,391	303,216	6,391,290	1,646,944	29,999,921
0	0	0	194,210	0	417,246
904,467	4,943,206	287,321	6,217,509	1,329,917	29,000,213
0	0	0	0	289,281	431,355
904,467	4,943,206	287,321	6,411,719	1,619,198	29,848,814
\$874,889	\$5,039,463	\$290,284	\$ 462,623	\$1,205,613	\$22,449,552

BUCHANAN COUNTY
Independence, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and Other County Tax	\$ 7,975,150	\$ 8,195,046	\$ 7,905,245	\$ 7,969,006
Interest and Penalty On Property Tax	54,124	63,589	59,579	61,434
Intergovernmental	5,399,178	5,337,022	6,490,836	6,797,756
Licenses and Permits	32,760	39,705	21,653	23,400
Charges For Service	606,346	656,029	649,531	587,311
Use of Money and Property	278,858	257,215	205,226	177,227
Miscellaneous	394,156	313,480	282,046	313,183
Total	\$14,740,572	\$14,862,086	\$15,614,116	\$15,929,317
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 3,305,668	\$ 2,942,256	\$ 2,896,649	\$ 2,719,842
Physical Health and Social Services	547,384	542,636	508,636	451,923
Mental Health	973,130	1,205,798	3,273,894	2,850,981
County Environment and Education	1,071,924	1,176,417	1,213,999	1,141,745
Roads and Transportation	5,761,263	4,216,840	5,011,077	4,951,494
Governmental Services To Residents	628,534	621,244	641,217	606,344
Administration	1,348,626	1,357,158	1,338,817	1,296,098
Non-Program	53,291	61,923	320,150	67,071
Debt Services	612,158	750,382	513,914	386,950
Capital Projects	664,277	1,312,431	566,064	1,175,584
Total	\$14,966,255	\$14,187,085	\$16,284,417	\$15,648,032

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 7,763,397	\$ 7,533,877	\$ 6,995,987	\$ 6,978,285	\$ 6,468,892	\$ 6,390,781
66,404	63,175	62,457	31,435	60,696	65,401
6,164,281	7,651,861	6,377,517	5,972,865	5,662,227	5,896,416
14,626	19,696	15,005	14,006	16,631	13,907
506,916	528,278	484,404	503,470	515,110	591,508
202,933	297,499	325,461	328,005	258,912	150,031
175,390	248,352	224,273	125,384	215,443	155,551
\$14,893,947	\$16,342,738	\$14,485,104	\$13,953,450	\$13,197,911	\$13,263,595
\$ 2,275,371	\$ 2,262,534	\$ 2,493,996	\$ 1,956,602	\$ 2,493,081	\$ 2,397,070
383,162	303,930	280,727	282,550	159,317	169,989
2,845,162	2,982,372	2,874,459	2,815,813	2,504,044	2,505,863
1,095,370	1,218,764	1,228,838	881,996	830,266	623,719
3,970,327	5,289,483	4,025,950	3,626,634	4,434,783	4,398,858
460,838	469,532	462,462	372,033	573,061	386,754
1,995,945	2,018,487	1,896,146	1,893,738	1,809,031	1,422,123
46,214	69,446	53,712	33,522	32,282	29,224
474,103	455,055	104,105	186,343	182,283	106,441
3,734,032	3,203,622	169,620	713,308	905,675	934,422
\$17,280,524	\$18,273,225	\$13,590,015	\$12,762,539	\$13,923,823	\$12,974,463



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Buchanan County
Independence, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Buchanan County, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Buchanan County, Iowa's basic financial statements and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Buchanan County, Iowa's Response to Findings

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

Purpose of This Report

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

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

Gardiner Thomsen, P.C.

March 27, 2015
Charles City, Iowa

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

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

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

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

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

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Findings Related to the Financial Statements (Continued)

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

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

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

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

INSTANCES OF NON-COMPLAINE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the Public Safety and Legal Services and Debt Service functions. Disbursements in certain departments exceeded the amounts appropriated.

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

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: (Continued)

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

Conclusion – Response accepted.

2. **Questionable Disbursements** – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures were detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Friends of Fontana Park	Door Prizes for Annual Conservation Volunteer Banquet	207

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: (Continued)

4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Description	Amount
Gary Gissel, Board of Supervisors		
Part Owner of Gissel Construction	New Entry Doors for Public Health	\$1,748
Cindy Gosse, County Auditor		
Stephanie Witt Daughter of Cindy Gosse	Election Worker	199
Phyllis Haisch, Assessor's Office		
Lloyd Haisch Spouse of Phyllis Haisch	Election Worker	833
Christine Kayser, Community Services Office		
Patricia Kayser Mother-in-Law of Christine Kayser	Election Worker	350
Michelle Mangrich, Recorder's Office		
Marianne Cayouette Mother of Michelle Mangrich	Election Worker	194
Michelle Mangrich, Recorder's Office		
Marlene Mangrich Aunt of Michelle Mangrich	Election Worker	186
Vanessa Tisl, Deputy Auditor		
Andrea Tisl Daughter of Vanessa Tisl	Election Worker	255
Vanessa Tisl, Deputy Auditor		
Ashley Tisl Daughter of Vanessa Tisl	Election Worker	520

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Gissel Construction do not appear to represent a conflict of interest as Gary Gissel was not directly involved in acquiring the goods and services purchased from Gissel Construction.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting (Continued)

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Stephanie Witt, Lloyd Haisch, Patricia Kayser, Marianne Cayouette, Marlene Mangrich, Andrea Tisl and Ashely Tisl do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

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

6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on December 16, 2013 and January 2, 2014 to discuss matters relating to the County. In each instance the minutes record does not document the vote of each member on the question of holding the closed session as required by chapter 21.5(2) of the Code of Iowa. Also, the January 2, 2014 minutes record does not document the final action taken in open session.

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

Response – We will record the vote and final action taken in open session as required for all future closed sessions.

Conclusion – Response accepted.

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa or the County's Investment Policy were noted. However, we noted one instance on non-compliance with Chapter 12C of the Code of Iowa relating to security for deposit of public funds with a credit union. We also noted that amounts on deposit with various financial institutions throughout the year exceeded the maximum approved by the Board of Supervisors in accordance with Chapter 12C.2 of the Code of Iowa.

Recommendation – The County should obtain security in an amount at least 110% of uninsured public funds on deposit with a credit union. The County should ensure that amounts on deposit with financial institutions do not exceed the maximum approved by the Board of Supervisors.

Response – This was an oversight. In the future we will secure uninsured public funds on deposit with a credit union in an amount at least 110% of the uninsured amount. We will also ensure that amounts on deposit with financial institutions do not exceed the maximum approved by the Board of Supervisors.

Conclusion – Response accepted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting (Continued)

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

9. **Economic Development** – During the year ended June 30, 2014, the County spent \$98,015 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

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

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

11. **Authorized Signers** – We noted an authorized signer on a County bank account under the control of the County Treasurer who is no longer employed by the County.

Recommendation – Authorized signers on bank accounts should be reviewed regularly to ensure all signers are current elected officials or County employees who should be able to sign on the accounts. The County should replace the signer on the account with the current employee who performs the duties of the former employee.

Response – We will replace the signer with a current employee who should be able to sign on the account. We will continue to monitor the signers on accounts to ensure they are current elected officials or County employees who should be able to sign on the accounts.

Conclusion – Response accepted.

12. **Emergency Management Certified Budget** – The Emergency Management Budget was over expended during the year ended June 30, 2014.

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

Response – We will amend the budget when required.

Conclusion – Response accepted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting (Continued)

- 13 **Transfers** – It was noted that two transfers during the year ended June 30, 2014 were not approved in the Board minutes in accordance with Chapter 331.432 of the Code of Iowa.

Recommendation – The County should approve all transfers in the Board minutes to comply with Chapter 331.432 of the Code of Iowa.

Response – We will document the approval of all transfers in the Board minutes to comply with Chapter 331.432 of the Code of Iowa.

Conclusion – Response accepted.