

CEDAR COUNTY

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

JUNE 30, 2014

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CEDAR COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Betty Ellerhoff	Board of Supervisors	Jan. 2015
Bradley Gaul	Board of Supervisors	Jan. 2015
Jon Bell	Board of Supervisors	Jan. 2017
Wayne Deerberg	Board of Supervisors	Jan. 2017
Jeff Kaufmann	Board of Supervisors	Jan. 2017
Cari Gritton	County Auditor	Jan. 2017
Gary R. Jedlicka	County Treasurer	Jan. 2015
Melissa Helmold	County Recorder	Jan. 2015
Warren Wethington	County Sheriff	Jan. 2017
Jeffrey Renander	County Attorney	Jan. 2015
Dan Lett	County Assessor	Resigned May 30, 2014

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2015 on our consideration of Cedar County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cedar County's internal control over financial reporting and compliance.

Hunt + Associates, P.C.

Oskaloosa, Iowa
March 18, 2015

**CEDAR COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2014**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual 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.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased by 6.2% or \$859,312 from FY2013 to FY2014. Intergovernmental revenue increased by \$732,153 as a primary result of a increase in revenue received from the state for secondary roads. License and permits revenue decreased by \$4,750, primarily as a result of declining building and improvements. The County governmental fund expenditures decreased by 3.0%, or \$434,533 from FY2013 to FY2014.

USING THE 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 government'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 Cedar 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 Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of actual results to the County's budget for the year.
- Supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off as a result of the year's activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities and deferred inflows of resources 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 and the liabilities and deferred inflows of resources, with the difference between them reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The County's governmental activities are displayed in the statement of net position and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, and interest on long-term debt. 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. These governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads. 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.

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

- Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- Fiduciary funds' are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

The Fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

Summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position of Governmental Activities

	2014	2013	% Difference
Current and other assets	14,881,731	13,389,144	11.15%
Capital assets	31,679,261	31,997,282	-0.99%
Total assets	46,560,992	45,386,426	2.59%
Long-term liabilities	822,056	779,724	5.43%
Other liabilities	501,790	628,749	-20.19%
Total liabilities	1,323,846	1,408,473	-6.01%
Deferred inflows of resources	8,043,000	7,211,000	11.54%
Net position			
Net investment in capital assets	31,679,261	31,997,282	-0.99%
Restricted	4,147,430	3,232,091	28.32%
Unrestricted	1,367,455	1,537,580	-11.06%
Total net position	37,194,146	36,766,953	1.16%

Changes in Net Position of Governmental Activities

Revenues:		FY2014	FY2013	% Difference
Program revenue				
	Charges for services	1,476,465	1,649,484	-10.49%
	Operating grants	4,896,365	3,994,815	22.57%
	Capital grants	1,067,243	388,666	174.59%
General revenue:				
	Property and other taxes	7,905,052	7,692,742	2.76%
	Penalty/interest on property taxes	48,045	39,752	20.86%
	State tax credits	305,391	292,245	4.50%
	Unrestricted investment earnings	46,413	58,588	-20.78%
	Miscellaneous	17,174	14,306	20.05%
	Total revenue	15,762,148	14,130,598	11.55%
Program expenses:				
	Public safety and legal services	3,406,619	3,282,176	3.79%
	Physical health and social services	1,298,060	1,161,469	11.76%
	Mental health	737,147	1,294,721	-43.07%
	County environment and education	1,277,126	1,223,198	4.41%
	Roads and transportation	6,632,804	6,570,065	0.95%
	Government services to residents	462,295	472,203	-2.10%
	Administration	1,516,116	1,394,192	8.75%
	Non program current	4,788	4,678	2.35%
	Total expenses	15,334,955	15,402,702	-0.44%
	Change in net position	427,193	(1,272,104)	133.58%
	Net position at beginning of year	36,766,953	38,039,057	-3.34%
	Net position at end of year	37,194,146	36,766,953	1.16%

As noted earlier, net position may serve over time as a useful indicator of financial position.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of approximately \$6.1 million, as compared to last year's balance of approximately \$5.4 million. The County funds received \$859,312 more in revenue than was received in operating revenues for the prior year and spent \$434,533 less in expenditures than the prior year. The following are reasons for the changes in fund balance.

- General Fund revenues increased \$415,212 and expenditures increased \$522,748 when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$417,278 to \$2,282,002.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenue decreased by \$4,419 and expenditures decreased by \$551,042, due to changes in state funding and payments. The Mental Health Fund ending fund balance showed an increase from the prior year of \$421,754 to \$875,067.
- Rural Services Fund revenues increased by \$4,396 for FY14. Expenditures increased \$80,249. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$1,910,000 for fiscal year 2014, an increase of \$100,552 from the prior year. County contributions to libraries increased for the fiscal year to \$90,000.
- Secondary Roads Fund expenditures decreased by \$472,011 over the prior year. Revenue increased by \$449,412. The Secondary Roads Fund ending balance for the year increased by \$644,430.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisor's annually adopts a budget following the required public notice and hearing for all funds, except agency funds and internal service funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2014 and resulted in a \$82,767 increase in receipts from the original certified budget. The amendment resulted in a \$200,542 increase in disbursements from the original certified budget. The increases are primarily attributable to reimbursements and costs associated with the bridge replacement. The County did not exceed the amount budgeted in any function at year end or prior to amending the budget for the year ended June 30, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY14, Cedar County had approximately \$31.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$29.7 million of accumulated depreciation/amortization.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Obligations

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County has no outstanding general obligation debt.

Other obligations include early retirement, accrued vacation pay and sick leave, post employment benefits, landfill post closure monitoring costs and drainage warrants. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS, AND RATES

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy; local option tax revenue and other counties' needs for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2015.

The County has added no major new programs or initiatives to the FY2015 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Cedar County, 400 Cedar Street, Tipton, IA 52772.

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Basic Financial Statements

CEDAR COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,296,411
Receivables:	
Property tax:	
Delinquent	8,869
Succeeding year	8,043,000
Interest and penalty on property tax	31,481
Accounts	106,649
Accrued interest	1,844
Due from other governments	491,580
Contract receivable (note 5)	36,600
Inventories	738,918
Prepaid expenses	126,379
Capital assets, net of accumulated depreciation/amortization (note 6)	<u>31,679,261</u>
 Total assets	 <u>46,560,992</u>
Liabilities	
Accounts payable	150,476
Salaries and benefits payable	160,825
Due to other governments (note 7)	25,779
Incurred but not reported claims	20,000
Unearned revenue	144,710
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Early retirement	35,608
Estimated liability for landfill postclosure monitoring	14,000
Compensated absences	382,236
Portion due or payable after one year:	
Early retirement	30,874
Estimated liability for landfill postclosure monitoring	56,000
Drainage warrants	46,220
Compensated absences	20,118
Net OPEB liability	<u>237,000</u>
 Total liabilities	 <u>1,323,846</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>8,043,000</u>

CEDAR COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 31,679,261
Restricted for:	
Supplemental levy purposes	414,568
Mental health purposes	848,674
Rural services purposes	516,214
Secondary roads purposes	1,870,542
Resource enhancement and protection purposes	61,809
Public health nursing purposes	10,383
Conservation purposes	151,732
Other purposes	273,508
Unrestricted	<u>1,367,455</u>
Total net position	<u>\$ 37,194,146</u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 3,406,619	\$ 232,183	\$ 28,812	\$ -	\$ (3,145,624)
Physical health and social services	1,298,060	167,926	697,825	-	(432,309)
Mental health	737,147	8,260	283,151	-	(445,736)
County environment and education	1,277,126	550,058	119,218	-	(607,850)
Roads and transportation	6,632,804	57,094	3,750,139	1,067,243	(1,758,328)
Government services to residents	462,295	357,466	17,220	-	(87,609)
Administration	1,516,116	103,478	-	-	(1,412,638)
Non-program	4,788	-	-	-	(4,788)
Total	<u>\$ 15,334,955</u>	<u>\$ 1,476,465</u>	<u>\$ 4,896,365</u>	<u>\$ 1,067,243</u>	<u>(7,894,882)</u>

General Revenues:

Property and other county tax levied for:	
General purposes	7,193,971
Penalty and interest on property tax	48,045
State tax credits	305,391
Local option sales and services tax	711,081
Unrestricted investment earnings	46,413
Miscellaneous	17,174
Total general revenues	<u>8,322,075</u>
Change in net position	427,193
Net position beginning of year	<u>36,766,953</u>
Net position end of year	<u>\$ 37,194,146</u>

See notes to financial statements.

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CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,286,931	\$ 857,199	\$ 515,881	\$ 1,152,267
Receivables:				
Property tax:				
Delinquent	5,568	911	2,390	-
Succeeding year	5,067,000	829,000	2,077,000	-
Interest and penalty on property tax	31,481	-	-	-
Accounts	47,555	-	-	2,876
Accrued interest	1,808	-	-	-
Interfund (note 3)	50,990	-	-	15,000
Due from other governments	72,308	48,377	99,664	271,231
Contract receivable (note 5)	36,600	-	-	-
Inventories	-	-	-	738,918
Total assets	\$ 7,600,241	\$ 1,735,487	\$ 2,694,935	\$ 2,180,292

<u>Nonmajor</u>	<u>Total</u>
\$ 330,660	\$ 5,142,938
-	8,869
70,000	8,043,000
-	31,481
56,218	106,649
36	1,844
-	65,990
-	491,580
-	36,600
-	738,918
<u>\$ 456,914</u>	<u>\$ 14,667,869</u>

CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund payable (note 3)	\$ -	\$ -	\$ -	-
Accounts payable	74,884	9,080	1,116	20,339
Salaries and benefits payable	92,807	6,631	6,123	51,579
Due to other governments (note 7)	10,049	14,813	-	917
Total liabilities	177,740	30,524	7,239	72,835
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,067,000	829,000	2,077,000	-
Other	73,499	896	2,370	-
Total deferred inflows of resources	5,140,499	829,896	2,079,370	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	738,918
Restricted for:				
Supplemental levy purposes	465,421	-	-	-
Cemetery levy purposes	100	-	-	-
Resource enhancement and protection	61,809	-	-	-
Public health purposes	10,383	-	-	-
Hazard mitigation purposes	10,688	-	-	-
Mental health purposes	-	875,067	-	-
Rural services purposes	-	-	608,326	-
Secondary roads purposes	-	-	-	1,368,539
Conservation purposes	151,732	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Sheriff	36,084	-	-	-
Unassigned	1,545,785	-	-	-
Total fund balances	2,282,002	875,067	608,326	2,107,457
Total liabilities, deferred inflows of resources and fund balances	\$ 7,600,241	\$ 1,735,487	\$ 2,694,935	\$ 2,180,292

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 65,990	\$ 65,990
30,645	136,064
3,685	160,825
-	25,779
100,320	388,658
70,000	8,043,000
-	76,765
70,000	8,119,765
-	738,918
-	465,421
-	100
-	61,809
-	10,383
-	10,688
-	875,067
-	608,326
-	1,368,539
-	151,732
25,223	25,223
261,371	261,371
-	36,084
-	1,545,785
286,594	6,159,446
\$ 456,914	\$ 14,667,869

CEDAR COUNTY

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

Total fund balances of governmental funds	\$ 6,159,446
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$61,403,540 and the accumulated depreciation/amortization is \$29,724,279.</p>	31,679,261
<p>Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.</p>	76,765
<p>The Internal Service Fund is used by management to charge the costs of the partial 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.</p>	100,730
<p>Long-term liabilities, including early retirement, estimated liability for landfill postclosure monitoring, drainage warrants, compensated absences payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.</p>	<u>(822,056)</u>
Net position of governmental activities	<u>\$ 37,194,146</u>

See notes to financial statements.

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CEDAR COUNTY

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,464,187	\$ 841,730	\$ 2,349,282	\$ 173,901
Interest and penalty on property tax	55,043	-	-	-
Intergovernmental	1,008,057	318,290	82,774	3,750,139
Licenses and permits	12,472	-	6,656	14,450
Charges for service	699,276	-	1,400	65
Use of money and property	143,850	-	-	-
Miscellaneous	46,599	3,062	-	40,823
Total revenues	<u>6,429,484</u>	<u>1,163,082</u>	<u>2,440,112</u>	<u>3,979,378</u>
Expenditures:				
Operating:				
Public safety and legal services	3,086,545	-	259,942	-
Physical health and social services	1,297,802	-	-	-
Mental health	-	746,734	-	-
County environment and education	430,372	-	218,339	-
Roads and transportation	-	-	-	5,168,773
Government services to residents	506,605	-	-	-
Administration	1,529,051	-	-	-
Non-program	4,788	-	-	-
Capital projects	-	-	-	77,931
Total expenditures	<u>6,855,163</u>	<u>746,734</u>	<u>478,281</u>	<u>5,246,704</u>
Excess (deficiency) of revenues over (under) expenditures	(425,679)	416,348	1,961,831	(1,267,326)
Other financing sources (uses):				
Sale of capital assets	8,401	5,406	-	1,756
Drainage warrants issued	-	-	-	-
Interfund transfers in (note 4)	-	-	-	1,910,000
Interfund transfers out (note 4)	-	-	(1,960,000)	-
Total other financing sources (uses)	<u>8,401</u>	<u>5,406</u>	<u>(1,960,000)</u>	<u>1,911,756</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 75,801	\$ 7,904,901
-	55,043
75,460	5,234,720
-	33,578
506,464	1,207,205
285	144,135
23,895	114,379
681,905	14,693,961
5,553	3,352,040
-	1,297,802
-	746,734
623,513	1,272,224
-	5,168,773
2,250	508,855
20,409	1,549,460
-	4,788
50,058	127,989
701,783	14,028,665
(19,878)	665,296
-	15,563
46,220	46,220
50,000	1,960,000
-	(1,960,000)
96,220	61,783

CEDAR COUNTY

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

		Special Revenue		
General	Mental Health	Rural Services	Secondary Roads	
Net change in fund balances	\$ (417,278)	\$ 421,754	\$ 1,831	\$ 644,430
Fund balances beginning of year	2,699,280	453,313	606,495	1,463,027
Fund balances end of year	\$ 2,282,002	\$ 875,067	\$ 608,326	\$ 2,107,457

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 76,342	\$ 727,079
<u>210,252</u>	<u>5,432,367</u>
<u><u>\$ 286,594</u></u>	<u><u>\$ 6,159,446</u></u>

CEDAR COUNTY

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

Net change in fund balances - total governmental funds \$ 727,079

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

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

Capital outlay expenditures	\$ 438,581	
Capital assets contributed by the Iowa Department of Transportation	1,067,243	
Depreciation/amortization expense	<u>(1,823,845)</u>	(318,021)

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 of resources in the governmental funds,
as follows:

Property tax	151	
Other	<u>(15,398)</u>	(15,247)

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 and does not affect the Statement of Activities. (46,220)

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. 14,000

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

Compensated absences	(24,871)	
Net OPEB liability	3,000	
Early retirement	<u>11,759</u>	(10,112)

CEDAR COUNTY

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

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

\$ 75,714

Change in net position of governmental activities

\$ 427,193

See notes to financial statements.

CEDAR COUNTY
 STATEMENT OF FUND NET POSITION
 PROPRIETARY FUND
 June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 153,473
Prepaid expenses	<u>126,379</u>
Total assets	<u>279,852</u>
Liabilities	
Accounts payable	14,412
Incurred but not reported claims	20,000
Unearned revenue	<u>144,710</u>
Total liabilities	<u>179,122</u>
Fund Net Position	
Unrestricted	\$ <u><u>100,730</u></u>

See notes to financial statements.

CEDAR COUNTY

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:	
Charges for services	\$ <u>1,719,063</u>
Operating expenses:	
Medical claims	125,158
Flexible benefits claims	48,692
Insurance premiums	1,443,306
Administrative fees	<u>26,821</u>
Total operating expenses	<u>1,643,977</u>
Operating income	75,086
Non-operating revenues:	
Interest on investments	<u>628</u>
Net income	75,714
Fund net position beginning of year	<u>25,016</u>
Fund net position end of year	\$ <u><u>100,730</u></u>

See notes to financial statements.

CEDAR COUNTY
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 charges for services	\$ 1,732,253
Cash payments to suppliers for services	<u>(1,657,175)</u>
Net cash provided by operating activities	<u>75,078</u>
Cash flows from investing activities:	
Interest	<u>628</u>
Net increase in cash and cash equivalents	75,706
Cash and cash equivalents beginning of year	<u>37,767</u>
Cash and cash equivalents end of year	<u>\$ 113,473</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 75,086
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in prepaid expenses	(10,946)
(Decrease) in accounts payable	(2,252)
Increase in unearned revenue	<u>13,190</u>
Net cash provided by operating activities	<u>\$ 75,078</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Fund Net Position:	
Cash and investments	\$ 153,473
Less items not meeting the definition of a cash equivalent:	
Certificate of deposit	<u>(40,000)</u>
Cash and cash equivalents at year end	<u>\$ 113,473</u>

See notes to financial statements.

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

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,513,946
Other County officials	70,999
Receivables:	
Property tax:	
Delinquent	23,399
Succeeding year	21,703,000
Accounts	35,589
Accrued interest	9
Due from other governments	<u>76,867</u>
Total assets	<u>\$ 23,423,809</u>
Liabilities	
Accounts payable	\$ 43,462
Salaries and benefits payable	5,007
Due to other governments (note 7)	23,322,166
Trusts payable	43,517
Compensated absences	<u>9,657</u>
Total liabilities	<u>\$ 23,423,809</u>

See notes to financial statements.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Cedar 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, Cedar 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 Cedar 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.

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

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Disposal Fund is reported as a Special Revenue Fund. The Solid Waste Commission's closure surety, as required by Chapter 106.18 of the Iowa Administrative Code, is included in the Solid Waste Disposal Fund and is required to provide additional surety against any possible additional closure costs. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's Office.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Cedar County Assessor’s Conference Board, Cedar County Emergency Management Commission, and Cedar County Joint E-911 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 three categories:

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

Restricted net position results when constraints placed on net 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 two preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management which can be removed or modified.

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

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

Special Revenue:

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

Additionally, the County reports the following funds:

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

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. The County had \$40,000 in investments not meeting the definition of cash equivalents at June 30, 2014.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Interfund Receivable/Payable – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Intangibles	\$ 150,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	2,500

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

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

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of the 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.

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

Unassigned – All amounts not included in preceding classifications.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements did not exceed the amount budgeted in any County function and disbursements did not exceed departmental appropriations.

Note 2. Cash 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.

At June 30, 2014, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$25,022 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in Cedar County drainage district stamped warrants which are valued at a cost of \$46,220.

Credit Risk – The investments in Iowa Public Agency Investment Trust and Cedar County drainage district stamped warrants are unrated.

Note 3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Tax Increment Financing	\$ 15,000
General Fund	Solid Waste Disposal	<u>50,990</u>
		<u>\$ 65,990</u>

The balance between the Secondary Roads and Tax Increment Financing Funds represents a short-term loan. These balances are not included on the government-wide Statement of Net Position.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3. Interfund Receivables and Payables (continued)

The balance between the General Fund and Special Revenue Fund, Solid Waste Disposal represents a long-term loan for financing the purchase of a new vehicle by Solid Waste Disposal. This loan will be repaid over four years and includes interest at 2% per annum. These balances are not included on the government-wide Statement of Net Position.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,910,000
Solid Waste Disposal		<u>50,000</u>
		<u>\$ 1,960,000</u>

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

Note 5. Contract Receivable

During the year ended June 30, 2009, the County entered into a long-term interest-free lease agreement for the sale of a County building. The lease calls for payments of \$700 per month for 120 months, with a bargain purchase option of \$10,000 at the end of the lease. This represents an installment sale contract and the county has removed the building from their records.

Details of the County's installment contract receivable at June 30, 2014 are as follows:

Year Ending June 30,	Amount
2015	\$ 8,400
2016	8,400
2017	8,400
2018	<u>11,400</u>
	<u>\$ 36,600</u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,949,676	\$ 55,000	\$ -	\$ 2,004,676
Capital assets being depreciated/amortized:				
Intangibles	218,600	-	-	218,600
Buildings	4,426,701	-	-	4,426,701
Improvements other than buildings	55,621	-	-	55,621
Machinery and equipment	7,106,081	383,581	341,289	7,148,373
Infrastructure	46,482,326	1,067,243	-	47,549,569
Total capital assets being depreciated/amortized	<u>58,289,329</u>	<u>1,450,824</u>	<u>341,289</u>	<u>59,398,864</u>
Less accumulated depreciation/amortization for:				
Intangibles	58,293	14,573	-	72,866
Buildings	1,759,526	89,572	-	1,849,098
Improvements other than buildings	35,949	1,153	-	37,102
Machinery and equipment	5,383,430	461,512	341,289	5,503,653
Infrastructure	21,004,525	1,257,035	-	22,261,560
Total accumulated depreciation/amortization	<u>28,241,723</u>	<u>1,823,845</u>	<u>341,289</u>	<u>29,724,279</u>
Total capital assets being depreciated/ amortized, net	<u>30,047,606</u>	<u>(373,021)</u>	-	<u>29,674,585</u>
Governmental activities capital assets, net	<u>\$ 31,997,282</u>	<u>\$ (318,021)</u>	<u>\$ -</u>	<u>\$ 31,679,261</u>

CEDAR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Capital Assets (continued)

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	160,839
Physical health and social services		7,072
Mental health		4,920
County environment and education		80,599
Roads and transportation		1,524,965
Government services to residents		27,287
Administration		<u>18,163</u>
Total depreciation/amortization expense - governmental activities	\$	<u><u>1,823,845</u></u>

Note 7. 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 at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 10,049
Special Revenue:		
Mental Health		14,813
Secondary Roads		<u>917</u>
Total for governmental funds		<u><u>\$ 25,779</u></u>
Agency:		
County Assessor	Collections	\$ 926,527
Schools		14,555,242
Area Schools		1,066,506
Corporations		5,264,843
Townships		408,771
Auto License and Use Tax		494,119
All Other		<u>606,158</u>
Total for agency funds		<u><u>\$ 23,322,166</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Long-Term Liabilities

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

	Early Retirement	Estimated Liability for Landfill Postclosure Monitoring	Drainage Warrants	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 78,241	\$ 84,000	\$ -	\$ 377,483	\$ 240,000	\$ 779,724
Additions	23,242	-	46,220	383,480	-	452,942
Reductions	35,001	14,000	-	358,609	3,000	410,610
Balance end of year	<u>\$ 66,482</u>	<u>\$ 70,000</u>	<u>\$ 46,220</u>	<u>\$ 402,354</u>	<u>\$ 237,000</u>	<u>\$ 822,056</u>
Due within one year	<u>\$ 35,608</u>	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ 382,236</u>	<u>\$ -</u>	<u>\$ 431,844</u>

Early Retirement

The County offers an early retirement plan to all employees. The early retirement incentive for each eligible employee is as follows: Employees between the ages of 55 and 61 with at least sixteen years of service will receive 50% of the cost of health insurance at the time of retirement until they become eligible for Medicare; employees between the ages of 62 and 65 with at least sixteen years of service will receive 85% of the cost of health insurance at the time of retirement until they become eligible for Medicare; and employees between the ages of 55 and 65 with less than sixteen years of service will receive a prorated benefit based on the number of years of service divided by sixteen. Early retirees who retire under IPERS eligibility rules will also receive a lump-sum payment for any unused sick leave at a rate of \$5.15 per accumulated hour.

At June 30, 2014, the County had obligations to nine participants with a total liability of \$66,482. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$35,001. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$70,000 reported as estimated liability for landfill postclosure care costs at June 30, 2014 represents an estimate of \$14,000 per year for postclosure monitoring for the next five years (the remaining period of required postclosure monitoring). Actual postclosure care costs may be different due to inflation, changes in technology, or changes in regulations.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Long-Term Liabilities (continued)

Drainage Warrants

Drainage Warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are written. Warrants will be paid as funds are available. Therefore, no amortization schedule is available at this time.

Drainage Warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefitted properties.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 136 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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	\$	112,631
Interest on net OPEB obligation		9,600
Adjustment to annual required contribution		<u>(13,879)</u>
Annual OPEB cost		108,352
Contributions made		<u>(111,352)</u>
Decrease in net OPEB obligation		(3,000)
Net OPEB obligation beginning of year		<u>240,000</u>
Net OPEB obligation end of year	\$	<u><u>237,000</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$111,352 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 109,011	78.9%	\$ 226,000
2013	108,601	87.1%	240,000
2014	108,352	102.8%	237,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,073,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,073,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,152,000 and the ratio of the UAAL to covered payroll was 20.8%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from scale T-10 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$1,681 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Note 10. Short-Term Debt Activity

During the year ended June 30, 2014, the County entered into short-term loans between funds. The loans were necessary to provide temporary financing. A summary of the activity for the year ended June 30, 2014 is as follows:

Loan to:	Loan from:	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Special Revenue: Drainage Districts Fund	General Fund	\$ 1,500	\$ 2,000	\$ 3,500	\$ -
Special Revenue: Tax Increment Financing Fund	Special Revenue: Secondary Roads Fund	15,000	15,000	15,000	15,000
		\$ 16,500	\$ 17,000	\$ 18,500	\$ 15,000

Note 11. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$525,143, \$488,482 and \$455,877, respectively, equal to the required contributions for each year.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 12. Risk Management

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in Heartland Insurance Risk Pool (Pool), a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operation. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

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.

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 paid \$444,696 into the Pool for the fiscal year ended June 30, 2014.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement, legal liability, and public officials liabilities, \$750,000 for workers' compensation liabilities, and property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in form claims incurred but not reported (referred to as IBNR claims.) As of June 30, 2014 the risk pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 company coverage since the pool's inception.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 12. Risk Management (continued)

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bound in the amount of \$80,000. 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.

Self Insured Health Plan

The Cedar County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Benefits Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$500 for single and \$1,000 for family) and the deductible on the policy purchased by the County (\$3,500 for single and \$7,000 for family) for the health plan.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreements, monthly payments of service fees and weekly payments of claims processed are made to Benefits Inc. for the health plan from the Cedar County Employee Group Health Fund. The County records the plan assets and related liabilities for the Cedar County Employee Group Health Fund as an Internal Service Fund. The total contributions to the fund for the year ended June 30, 2014 were \$1,719,063.

Amounts payable from the Employee Group Health Fund at June 30, 2014 includes \$20,000 which is for incurred but not reported (IBNR) claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. The reserve balance at June 30, 2014 was \$100,730 and is reported as net position of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that 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. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2013	\$	20,000
Incurred claims (including claims incurred but not reported at June 30, 2014)		125,158
Payments		<u>125,158</u>
Unpaid claims at June 30, 2014	\$	<u><u>20,000</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 13. Economic Development

On January 6, 2003, the County entered into a tax increment financing agreement with CDC Limited. On December 16, 2004, the County entered into a second agreement with CDC Limited. Any taxes paid by CDC Limited on the incremental increase in assessed valuation of the affected parcels of real estate in each separate agreement would be repaid to CDC Limited on a semi-annual basis for a period of ten years beginning December 1, 2004 for the agreement dated January 6, 2003 and December 1, 2007 for the agreement dated December 16, 2004. In return, CDC Limited has agreed to construct and maintain industrial facilities for the length of the agreements in order to provide economic opportunities for County residents.

Tax rebate payments made according to the terms of these agreements totaled \$51,338 for the year ended June 30, 2014.

Note 14. Construction Commitment

The County has entered into a contract totaling \$399,668 for bridge construction. As of June 30, 2014, no costs had been incurred against the contract.

Note 15. Subsequent Events

On September 2, 2014, the County approved a contract totaling \$215,596 for bridge construction. On September 4, 2014, the County approved a contract totaling \$284,445 for emergency relief projects related to the Cedar River. On January 13, 2015, the County approved a contract totaling \$341,433 for bridge construction.

On March 3, 2015, the County approved a real estate contract of \$80,000 for the purchase of land. The contract will be paid in two equal annual payments plus interest at 4%.

On December 30, 2014, the Drainage District, a component unit of the County and reported as a special revenue fund, approved a contract totaling \$1,697,005 for drainage improvements. On February 3, 2015, the Drainage District approved a second project totaling \$140,177 for other drainage improvements contingent on receiving a 28E agreement for the project with the Iowa Department of Transportation.

Note 16. 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.

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Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2014

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 7,917,567	\$ -	\$ 7,917,567
Interest and penalty on property tax	66,155	-	66,155
Intergovernmental	5,227,575	-	5,227,575
Licenses and permits	33,733	-	33,733
Charges for service	1,161,007	-	1,161,007
Use of money and property	144,076	-	144,076
Miscellaneous	128,026	2,000	128,026
Total receipts	14,678,139	2,000	14,678,139
DISBURSEMENTS:			
Public safety and legal services	3,341,979	-	3,341,979
Physical health and social services	1,299,332	-	1,299,332
Mental health	803,502	-	803,502
County environment and education	1,293,885	-	1,293,885
Roads and transportation	5,304,954	-	5,304,954
Government services to residents	468,076	-	468,076
Administration	1,564,236	-	1,564,236
Non-program	4,788	-	4,788
Capital projects	128,431	47,974	80,457
Total disbursements	14,209,183	47,974	14,161,209
Excess (deficiency) of receipts over (under) disbursements	468,956	(45,974)	516,930
Other financing sources, net	61,783	46,220	15,563
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	530,739	246	532,493
Balance beginning of year	4,612,199	82	4,612,117
Balance end of year	\$ 5,142,938	\$ 328	\$ 5,144,610

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 7,881,897	\$ 7,881,897	\$ 35,670
46,500	46,500	19,655
5,171,033	5,192,533	35,042
27,850	27,850	5,883
987,409	1,037,409	123,598
179,945	179,945	(35,869)
65,570	76,837	51,189
<u>14,360,204</u>	<u>14,442,971</u>	<u>235,168</u>
3,333,360	3,403,860	61,881
1,478,846	1,498,846	199,514
1,193,424	1,193,424	389,922
1,354,713	1,426,080	132,195
5,223,582	5,623,582	318,628
557,468	557,468	89,392
1,595,408	1,634,083	69,847
5,100	5,100	312
1,458,900	1,058,900	978,443
<u>16,200,801</u>	<u>16,401,343</u>	<u>2,240,134</u>
(1,840,597)	(1,958,372)	2,475,302
<u>33,401</u>	<u>33,401</u>	<u>(17,838)</u>
(1,807,196)	(1,924,971)	2,457,464
<u>3,998,992</u>	<u>4,612,117</u>	<u>-</u>
<u>\$ 2,191,796</u>	<u>\$ 2,687,146</u>	<u>\$ 2,457,464</u>

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,678,139	\$ 15,822	\$ 14,693,961
Expenditures	14,209,183	(180,518)	14,028,665
Net	468,956	196,340	665,296
Other financing sources, net	61,783	-	61,783
Beginning fund balances	4,612,199	820,168	5,432,367
Ending fund balances	\$ 5,142,938	\$ 1,016,508	\$ 6,159,446

See accompanying independent auditor's report.

CEDAR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$200,542. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed departmental appropriations.

CEDAR COUNTY

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

Required Supplementary Information
Year Ended June 30, 2014

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)
2009	July 1, 2008	\$ 0	\$ 749	\$ 749	0.0%	\$ 4,796	15.6%
2010	July 1, 2008	0	749	749	0.0%	4,834	15.5%
2011	July 1, 2008	0	749	749	0.0%	4,788	15.6%
2012	July 1, 2011	0	1,073	1,073	0.0%	4,848	22.1%
2013	July 1, 2011	0	1,073	1,073	0.0%	5,046	21.3%
2014	July 1, 2011	0	1,073	1,073	0.0%	5,152	20.8%

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

See accompanying independent auditor's report.

Supplementary Information

CEDAR COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue				
	County Recorder's Records Management	Drainage Districts	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
Assets					
Cash and pooled investments	\$ 25,845	\$ 328	\$ 82,736	\$ 39,895	\$ 51,414
Receivables:					
Property tax:					
Succeeding year	-	-	-	70,000	-
Accounts	-	-	56,218	-	-
Accrued interest	7	-	16	-	13
Total assets	\$ <u>25,852</u>	\$ <u>328</u>	\$ <u>138,970</u>	\$ <u>109,895</u>	\$ <u>51,427</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Interfund payable	\$ -	\$ -	\$ 50,990	\$ 15,000	\$ -
Accounts payable	-	-	30,645	-	-
Salaries and benefits payable	-	-	3,685	-	-
Total liabilities	-				
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	-	-	70,000	-
Fund balances:					
Restricted for:					
Records management	25,852	-	-	-	-
Solid waste disposal	-	-	39,895	-	-
Transfer station closure surety	-	-	13,755	-	-
Public safety purposes	-	-	-	-	51,427
Capital projects	-	328	-	24,895	-
Total fund balances	25,852 328 53,650 24,895 51,427				
Total liabilities, deferred inflows of resources and fund balances	\$ <u>25,852</u>	\$ <u>328</u>	\$ <u>138,970</u>	\$ <u>109,895</u>	\$ <u>51,427</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>	<u>Total</u>
\$ 130,442	\$ 330,660
-	70,000
-	56,218
-	36
\$ 130,442	\$ 456,914

\$ -	\$ 65,990
-	30,645
-	3,685
-	100,320

-	70,000
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-	25,852
-	39,895
-	13,755
130,442	181,869
-	25,223
130,442	286,594

\$ 130,442	\$ 456,914
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CEDAR COUNTY

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

	Special Revenue				
	County Recorder's Records Management	Drainage Districts	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	75,801	\$ -
Intergovernmental	-	-	75,460	-	-
Charges for service	3,470	-	502,994	-	-
Use of money and property	26	-	206	-	53
Miscellaneous	-	-	23,895	-	-
Total revenues	3,496	-	602,555	75,801	53
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	5,553
County environment and education	-	-	572,175	51,338	-
Government services to residents Administration	2,250	-	-	-	-
	-	-	6,556	13,853	-
Capital projects	-	44,474	-	-	-
Total expenditures	2,250	44,474	578,731	65,191	5,553
Excess (deficiency) of revenues over (under) expenditures	1,246	(44,474)	23,824	10,610	(5,500)
Other financing sources:					
Drainage warrants issued	-	46,220	-	-	-
Interfund transfers in	-	-	50,000	-	-
Total other financing sources	-	46,220	50,000	-	-
Net change in fund balances	1,246	1,746	73,824	10,610	(5,500)
Fund balances beginning of year	24,606	(1,418)	(20,174)	14,285	56,927
Fund balances end of year	<u>\$ 25,852</u>	<u>\$ 328</u>	<u>\$ 53,650</u>	<u>\$ 24,895</u>	<u>\$ 51,427</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>	<u>Total</u>
\$ -	\$ 75,801
-	75,460
-	506,464
-	285
-	23,895
-	681,905
-	5,553
-	623,513
-	2,250
-	20,409
5,584	50,058
5,584	701,783
(5,584)	(19,878)
-	46,220
-	50,000
-	96,220
(5,584)	76,342
136,026	210,252
\$ 130,442	\$ 286,594

CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2014

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,262
Other County officials	25,091	24,275	21,633	-
Receivables:				
Property tax:				
Delinquent	-	-	-	229
Succeeding year	-	-	-	209,000
Accounts	-	1,921	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>25,091</u>	\$ <u>26,196</u>	\$ <u>21,633</u>	\$ <u>211,491</u>
LIABILITIES				
Accounts payable	\$ -	\$ 12,673	\$ 3,207	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	13,523	-	211,491
Trusts payable	25,091	-	18,426	-
Compensated absences	-	-	-	-
Total liabilities	\$ <u>25,091</u>	\$ <u>26,196</u>	\$ <u>21,633</u>	\$ <u>211,491</u>

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 134,081	\$ 519,181	\$ 150,478	\$ 11,337	\$ 154,501	\$ 36,659	\$ 5,452
-	-	-	-	-	-	-
-	464	16,764	1,169	-	4,184	-
-	422,000	14,388,000	1,054,000	-	5,224,000	-
24,882	-	-	-	8,426	-	-
-	-	-	-	9	-	-
50,193	-	-	-	26,674	-	-
<u>\$ 209,156</u>	<u>\$ 941,645</u>	<u>\$ 14,555,242</u>	<u>\$ 1,066,506</u>	<u>\$ 189,610</u>	<u>\$ 5,264,843</u>	<u>\$ 5,452</u>
\$ 23,751	\$ 3,821	\$ -	\$ -	\$ 10	\$ -	\$ -
1,188	3,819	-	-	-	-	-
182,038	926,527	14,555,242	1,066,506	189,600	5,264,843	5,452
-	-	-	-	-	-	-
2,179	7,478	-	-	-	-	-
<u>\$ 209,156</u>	<u>\$ 941,645</u>	<u>\$ 14,555,242</u>	<u>\$ 1,066,506</u>	<u>\$ 189,610</u>	<u>\$ 5,264,843</u>	<u>\$ 5,452</u>

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

	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	County Recorder's Electronic Transaction Fee	Total
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ 5,186	\$ 361	\$ 494,119	\$ 329	\$ 1,513,946
Other County officials	-	-	-	-	70,999
Receivables:					
Property tax:					
Delinquent	585	4	-	-	23,399
Succeeding year	403,000	3,000	-	-	21,703,000
Accounts	-	-	-	360	35,589
Accrued interest	-	-	-	-	9
Due from other governments	-	-	-	-	76,867
Total assets	\$ 408,771	\$ 3,365	\$ 494,119	\$ 689	\$ 23,423,809
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	43,462
Salaries and benefits payable	-	-	-	-	5,007
Due to other governments	408,771	3,365	494,119	689	23,322,166
Trusts payable	-	-	-	-	43,517
Compensated absences	-	-	-	-	9,657
Total liabilities	\$ 408,771	\$ 3,365	\$ 494,119	\$ 689	\$ 23,423,809

See accompanying independent auditor's report.

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CEDAR COUNTY

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

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 28,047	\$ 25,294	\$ 7,531	\$ 210,152
Additions:				
Property and other County tax	-	-	-	208,060
State tax credits	-	-	-	8,647
E-911 surcharge	-	-	-	-
Office fees and collections	-	318,157	90,832	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	218	-	194,332	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	218	318,157	285,164	216,707
Deductions:				
Agency remittances:				
To other funds	-	138,039	85,534	-
To other governments	-	179,216	2,091	215,368
Trusts paid out	3,174	-	183,437	-
Total deductions	3,174	317,255	271,062	215,368
Balances end of year	\$ 25,091	\$ 26,196	\$ 21,633	\$ 211,491

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 113,000	\$ 858,394	\$ 13,823,494	\$ 1,039,634	\$ 114,020	\$ 5,184,358	\$ 13,200
-	420,669	14,347,897	1,051,554	-	5,215,687	-
-	16,435	568,303	42,684	-	174,404	-
-	-	-	-	219,006	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,244	47,890
-	-	-	-	-	-	-
-	-	-	-	107	-	-
178,469	7,069	-	-	2,280	-	-
<u>178,469</u>	<u>444,173</u>	<u>14,916,200</u>	<u>1,094,238</u>	<u>221,393</u>	<u>5,392,335</u>	<u>47,890</u>
-	-	-	-	-	-	-
82,313	360,922	14,184,452	1,067,366	145,803	5,311,850	55,638
-	-	-	-	-	-	-
<u>82,313</u>	<u>360,922</u>	<u>14,184,452</u>	<u>1,067,366</u>	<u>145,803</u>	<u>5,311,850</u>	<u>55,638</u>
<u>\$ 209,156</u>	<u>\$ 941,645</u>	<u>\$ 14,555,242</u>	<u>\$ 1,066,506</u>	<u>\$ 189,610</u>	<u>\$ 5,264,843</u>	<u>\$ 5,452</u>

CEDAR COUNTY

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

	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 393,269	\$ 3,322	\$ 441,408	\$ 1,443
Additions:				
Property and other County tax	402,170	3,260	-	-
State tax credits	17,609	136	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	3,829
Auto licenses, use tax, driver licenses, and postage	-	-	5,943,826	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Interest on investments	-	-	-	2
Miscellaneous	-	-	-	-
Total additions	419,779	3,396	5,943,826	3,831
Deductions:				
Agency remittances:				
To other funds	-	-	210,956	-
To other governments	404,277	3,353	5,680,159	4,585
Trusts paid out	-	-	-	-
Total deductions	404,277	3,353	5,891,115	4,585
Balances end of year	\$ 408,771	\$ 3,365	\$ 494,119	\$ 689

See accompanying independent auditor's report.

<u>Tax Sale Redemption</u>	<u>Total</u>
\$ <u> </u> -	\$ <u>22,256,566</u>
-	21,649,297
-	828,218
-	219,006
-	412,818
-	5,943,826
-	50,134
221,895	416,445
-	109
-	187,818
<u>221,895</u>	<u>29,707,671</u>
-	434,529
-	27,697,393
221,895	408,506
<u>221,895</u>	<u>28,540,428</u>
<u><u>\$</u></u> <u> </u> -	<u><u>\$</u></u> <u>23,423,809</u>

CEDAR COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Property and other County tax	\$ 7,904,901	\$ 7,716,043	\$ 7,373,619	\$ 7,126,247
Interest and penalty on property tax	55,043	59,388	47,716	53,311
Intergovernmental	5,234,720	4,502,567	6,517,014	6,764,514
Licenses and permits	33,578	38,328	60,974	49,777
Charges for service	1,207,205	1,131,763	1,074,474	1,024,116
Use of money and property	144,135	169,825	144,190	164,785
Miscellaneous	114,379	216,735	228,837	173,257
Total	\$ 14,693,961	\$ 13,834,649	\$ 15,446,824	\$ 15,356,007
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,352,040	\$ 3,164,444	\$ 2,960,560	\$ 2,885,382
Physical health and social services	1,297,802	1,166,679	1,190,729	1,252,950
Mental health	746,734	1,297,776	2,641,365	2,254,983
County environment and education	1,272,224	1,188,191	1,383,151	1,540,442
Roads and transportation	5,168,773	5,269,364	4,687,747	4,938,334
Government services to residents	508,855	446,608	427,129	445,833
Administration	1,549,460	1,377,601	1,303,555	1,273,694
Non-program	4,788	4,678	6,602	15,307
Debt service	-	-	-	-
Capital projects	127,989	547,857	675,861	485,802
Total	\$ 14,028,665	\$ 14,463,198	\$ 15,276,699	\$ 15,092,727

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	6,732,058	\$ 6,481,663	\$ 6,709,396	\$ 6,650,106	\$ 6,493,506	\$ 6,873,785
	55,377	44,387	48,521	52,532	71,629	44,810
	7,723,850	7,401,142	5,717,081	6,613,886	6,473,937	6,181,889
	50,171	54,210	47,039	40,816	40,460	40,415
	991,219	962,818	1,000,497	880,809	1,033,796	957,047
	186,541	205,036	363,901	480,693	335,215	191,763
	78,233	77,419	154,079	96,126	144,094	104,475
\$	<u>15,817,449</u>	<u>\$ 15,226,675</u>	<u>\$ 14,040,514</u>	<u>\$ 14,814,968</u>	<u>\$ 14,592,637</u>	<u>\$ 14,394,184</u>
\$	2,788,491	\$ 2,633,866	\$ 2,526,569	\$ 2,442,778	\$ 2,410,045	\$ 2,325,998
	1,217,838	1,082,768	1,114,788	1,067,239	1,010,583	1,054,518
	2,161,313	2,309,981	2,350,115	2,343,358	2,657,815	2,404,162
	2,462,774	1,152,930	1,054,978	968,804	895,988	824,677
	5,024,836	5,057,008	5,279,916	4,326,007	4,406,428	4,250,121
	471,509	450,506	435,229	421,513	549,782	427,995
	1,200,970	1,248,465	1,445,904	1,294,089	1,295,564	1,276,444
	4,320	4,242	4,774	19,606	-	-
	-	-	1,486,038	517,725	516,915	520,565
	621,994	930,171	470,700	992,872	1,053,668	971,899
\$	<u>15,954,045</u>	<u>\$ 14,869,937</u>	<u>\$ 16,169,011</u>	<u>\$ 14,393,991</u>	<u>\$ 14,796,788</u>	<u>\$ 14,056,379</u>

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461
317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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

To the Officials of Cedar County:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar County, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in part I of the accompanying Schedule of Findings as items I-A-14, I-B-14, and I-C-14, that we consider to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether Cedar County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

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.

Cedar County's Responses to Findings

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

Purpose of this Report

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

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

Hunt + Associates, P.C.

Oskaloosa, Iowa
March 18, 2015

CEDAR COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-14 Segregation of Duties (continued)

Responses –

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

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

Conclusion – Responses accepted.

I-B-14 Real Estate System – We noted an unusually large number of Auditor’s certificates of adjustments in our testing of the County’s real estate system. These adjustments resulted from an untimely communication between the Assessor’s side and the Auditor’s side of the real estate system concerning real estate parcel splits. The Assessor made several parcel splits and adjustments in the real estate system but these adjustments were excluded from the Auditor’s records at the time the tax list was prepared. This error caused the Treasurer’s tax list to contain several errors which were subsequently adjusted through the use of Auditor’s certificates of adjustments.

Recommendation – All parcel splits and adjustments made by the Assessor should be timely and accurately entered into the real estate system for inclusion in the property tax listing. The County should avoid the use of Auditor’s certificates of adjustments to the extent reasonably possible to avoid possible errors in property tax collections and insure the accuracy of property tax assessments.

Response – This was an unusual circumstance this year due in part to changes in Assessor’s office personnel and the related loss of continuity of the real estate system knowledge. We have made changes necessary to insure the accuracy and timeliness of future communications between the various sides of the County’s real estate system.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES (continued):

- I-C-14 Motor Vehicle Department – We noted several deficiencies in our testing of the County’s motor vehicle transactions. The County is not remitting the County’s share of use tax collections to the General Fund and underages of collections reported are not being netted to the proper associated revenues. The cumulative differences noted totaled \$11,422. We also noted that the County Recorder’s Electronic Transaction Fee Fund underpaid the State of Iowa by the cumulative total of \$670 and that the related interest revenue was paid to the State of Iowa but not properly recorded by the County as revenue in that fund. We also noted that the County Treasurer’s office has no procedures in place to review and determine the propriety of voided vehicle registration transactions.

Recommendation – The County Treasurer should review the motor vehicle department processes and develop the necessary controls to help prevent future errors. The County should correct the underpayments as noted above to both the County and the State of Iowa and an employee of the Treasurer’s office independent of the motor vehicle department should be assigned to reconcile collections of fees and use taxes to the subsequent payments and to the Treasurer’s monthly general ledger. The Treasurer should also be reviewing the voided transactions reported through the vehicle registration process to help prevent the possible occurrences of future irregularities. This review process also falls under the guidelines issued by the Iowa Department of Transportation.

Response – We corrected the use tax underpayment to the County’s General Fund in May 2014 after the error was noted by the independent auditors. We also corrected the underpayment of the e-transaction fee collections to the State of Iowa in May 2014. We are currently establishing new controls to insure that the proper review processes are performed to help prevent future errors or irregularities and expect to have these processes in place as soon as possible.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in any County function. Disbursements did not exceed departmental appropriations.
- II-B-14 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-14 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.
- II-J-14 Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.