CLARKE COUNTY

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

JUNE 30, 2014

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CLARKE COUNTY

Officials

Name	Title	Term Expires
Myron Manley	Board of Supervisors	Jan. 2015
Marvin McCann	Board of Supervisors	Jan. 2017
Larry Keller	Board of Supervisors	Jan. 2017
Janice White	County Auditor	Jan. 2017
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2017
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke 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 Clarke 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 Clarke 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 the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 46 through 49 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.

The County has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke 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 8 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 19, 2015 on our consideration of Clarke 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 Clarke County's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
March 19, 2015

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Basic Financial Statements

CLARKE COUNTY

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
Assets	
Cash and pooled investments	$ 3,042,161
Receivables:	
Property tax:	
Delinquent	6,678
Succeeding year	4,424,000
Interest and penalty on property tax	19,348
Accounts	100,729
Accrued interest	1,069
Due from other governments	231,576
Inventories	149,075
Prepaid expenses	109,853
Hospital revenue note receivable (note 4)	5,000,000
Capital assets, net of accumulated depreciation (note 5)	13,305,877
Total assets	26,390,366
Liabilities	
Accounts payable	184,010
Salaries and benefits payable	144,125
Due to other governments (note 6)	37,498
Accrued interest payable	33,625
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation bonds	17,000
Capital loan notes	315,000
Child care center revenue notes	8,210
Bank loans	70,677
Capital lease purchase agreements	139,980
Compensated absences	183,919
Portion due or payable after one year:	
General obligation bonds	116,000
General obligation hospital bonds	5,000,000
Capital loan notes	535,000
Child care center revenue notes	482,779
Bank loans	296,962
Capital lease purchase agreements	119,664
Net OPEB liability	74,400
Total liabilities	7,758,849

CLARKE COUNTY

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
Deferred Inflows of Resources	
Unavailable property tax revenue	$ 4,424,000
Net Position	
Net investment in capital assets	11,343,250
Restricted for:	
Supplemental levy purposes	552,391
Mental health purposes	110,294
Rural services purposes	425,573
Secondary roads purposes	557,003
Debt service	19,795
Conservation purposes	236,811
Other purposes	110,076
Unrestricted	852,324
Total net position	$ 14,207,517

See notes to financial statements.

CLARKE COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Public safety and legal services	$ 1,748,715	$ 226,433	$ -	$ (1,522,282)
Physical health and social services	1,028,467	179,532	399,165	(449,770)
Mental health	293,145	348	25,986	(266,811)
County environment and education	267,945	19,354	14,737	(233,854)
Roads and transportation	3,087,762	251,085	1,879,531	(957,146)
Government services to residents	390,582	181,117	3	(209,462)
Administration	965,386	14,980	6,325	(944,081)
Interest on long-term debt	64,847	-	51,414	(13,433)
Total	$ 7,846,849	$ 872,849	$ 2,377,161	(4,596,839)
General Revenues:				
Property and other county tax levied for:				
General purposes				3,700,734
Debt service				330,841
Penalty and interest on property tax				39,701
State tax credits				190,118
Gaming tax				232,891
Unrestricted investment earnings				16,116
Total general revenues				4,510,401
Change in net position				(86,438)
Net position beginning of year				14,293,955
Net position end of year				$ 14,207,517

See notes to financial statements.

CLARKE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

		Special Revenue			
	General	Rural Services	Secondary Roads	Nonmajor	Total
Assets					
Cash and pooled investments	$ 1,700,955	$ 493,276	$ 467,340	$ 366,545	$ 3,028,116
Receivables:					
Property tax:					
Delinquent	4,658	724	-	1,296	6,678
Succeeding year	2,819,000	878,000	-	727,000	4,424,000
Interest and penalty on property tax	19,348	-	-	-	19,348
Accounts	60,120	-	6,534	160	66,814
Accrued interest	1,045	-	-	24	1,069
Due from other governments	84,329	-	147,247	-	231,576
Inventories	-	-	149,075	-	149,075
Prepaid expenses	79,552	-	30,301	-	109,853
Total assets	$ 4,769,007	$ 1,372,000	$ 800,497	$ 1,095,025	$ 8,036,529

CLARKE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue: Rural Services	Special Revenue: Secondary Roads	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$ 76,828	$ 13,907	$ 80,743	$ 12,388	$ 183,866
Salaries and benefits payable	84,992	13,356	45,185	592	144,125
Due to other governments (note 6)	3,981	-	8,156	25,361	37,498
Total liabilities	165,801	27,263	134,084	38,341	365,489
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,819,000	878,000	-	727,000	4,424,000
Other	24,006	724	-	1,296	26,026
Total deferred inflows of resources	2,843,006	878,724	-	728,296	4,450,026
Fund balances:					
Nonspendable:					
Inventories	-	-	149,075	-	149,075
Prepaid expenses	79,552	-	30,301	-	109,853
Restricted for:					
Supplemental levy purposes	558,693	27,179	-	-	585,872
SIRWA water grid project	-	62,500	-	-	62,500
Rural services purposes	-	376,334	-	-	376,334
Secondary roads purposes	-	-	487,037	-	487,037
Mental health purposes	-	-	-	109,562	109,562
Debt service	-	-	-	44,905	44,905
Capital projects	-	-	-	5,645	5,645
Conservation purposes	83,866	-	-	153,298	237,164
Inmate room and board	90,824	-	-	-	90,824
Flowerbed maintenance	3,811	-	-	-	3,811
Other purposes	463	-	-	14,978	15,441
Assigned for:					
Environmental education	27,268	-	-	-	27,268
Unassigned	915,723	-	-	-	915,723
Total fund balances	1,760,200	466,013	666,413	328,388	3,221,014
Total liabilities, deferred inflows of resources and fund balances	$ 4,769,007	$ 1,372,000	$ 800,497	$ 1,095,025	$ 8,036,529

See notes to financial statements.

CLARKE COUNTY

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

Total fund balances of governmental funds	$ 3,221,014
Amounts reported for governmental activities in the Statement of Net Position are different because:	
The hospital revenue note receivable is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.	5,000,000
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 $24,351,893 and the accumulated depreciation is $11,046,016.	13,305,877
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.	26,026
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	47,816
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(33,625)
Long-term liabilities, including bonds and notes payable, bank loans payable, capital lease purchase agreements payable, 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.	(7,359,591)
Net position of governmental activities	$ 14,207,517

See notes to financial statements.

CLARKE COUNTY

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

		Special Revenue			
	General	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:					
Property and other County tax	$ 2,721,356	$ 799,462	$ -	$ 743,299	$ 4,264,117
Interest and penalty on property tax	38,464	-	-	-	38,464
Intergovernmental	778,801	42,412	1,879,531	123,839	2,824,583
Licenses and permits	7,450	3,725	2,060	-	13,235
Charges for service	281,143	4,829	371	1,851	288,194
Use of money and property	26,711	-	-	378	27,089
Miscellaneous	54,140	-	248,655	348	303,143
Total revenues	3,908,065	850,428	2,130,617	869,715	7,758,825
Expenditures:					
Operating:					
Public safety and legal services	1,317,426	284,960	-	659	1,603,045
Physical health and social services	932,346	-	-	-	932,346
Mental health	-	-	-	293,145	293,145
County environment and education	214,386	87,727	-	-	302,113
Roads and transportation	-	-	3,096,303	-	3,096,303
Government services to residents	389,061	-	-	1,400	390,461
Administration	915,738	-	-	-	915,738
Debt service	-	-	-	398,916	398,916
Capital projects	8,772	-	-	3,357	12,129
Total expenditures	3,777,729	372,687	3,096,303	697,477	7,944,196
Excess (deficiency) of revenues over (under) expenditures	130,336	477,741	(965,686)	172,238	(185,371)
Other financing sources (uses):					
Execution of capital lease	47,874	-	-	-	47,874
Execution of bank loans	-	-	367,639	-	367,639
Interfund transfers in (note 3)	-	-	530,000	35,489	565,489
Interfund transfers out (note 3)	(9,575)	(530,000)	-	(25,914)	(565,489)
Total other financing sources (uses)	38,299	(530,000)	897,639	9,575	415,513

CLARKE COUNTY

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

		Special Revenue			
	General	Rural Services	Secondary Roads	Nonmajor	Total
Net change in fund balances	$ 168,635	$ (52,259)	$ (68,047)	$ 181,813	$ 230,142
Fund balances beginning of year	1,591,565	518,272	734,460	146,575	2,990,872
Fund balances end of year	$ 1,760,200	$ 466,013	$ 666,413	$ 328,388	$ 3,221,014

See notes to financial statements.

CLARKE 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		$ 230,142
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The amount of capital outlay expenditures and depreciation expense in the current year are as follows:		
Capital outlay expenditures	$ 586,509	
Depreciation expense	(949,686)	(363,177)
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	349	
Other	1,237	1,586
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.		(415,513)
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.		462,757
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	15,400	
Net OPEB liability	(14,400)	
Interest on long-term debt	(769)	231
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.		(2,464)
Change in net position of governmental activities		$ (86,438)

See notes to financial statements.

CLARKE COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Internal Service Funds
Assets	
Cash and cash equivalents	$ 14,045
Accounts receivable	33,915
Total assets	47,960
Liabilities	
Accounts payable	144
Fund Net Position	
Unrestricted	$ 47,816

See notes to financial statements.

CLARKE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Internal Service Funds
Operating revenues:	
Charges to operating funds	$ 748,349
Charges to employees and others	184,755
Total operating revenues	933,104
Operating expenses:	
Insurance premiums	906,378
Flexible spending claims	27,562
Administrative fees	1,628
Total operating expenses	935,568
Operating loss	(2,464)
Fund net position beginning of year	50,280
Fund net position end of year	$ 47,816

See notes to financial statements.

CLARKE COUNTY

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

		Internal Service Funds
Cash flows from operating activities:		
Cash received from operating fund reimbursements	$	750,324
Cash received from employees and others		184,429
Cash payments to suppliers for services		(935,554)
Net cash used by operating activities		(801)
Cash and cash equivalents beginning of year		14,846
Cash and cash equivalents end of year	$	14,045
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(2,464)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Decrease in accounts receivable		1,649
Increase in accounts payable		14
Net cash used by operating activities	$	(801)

See notes to financial statements.

CLARKE COUNTY

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

Assets	
Cash and pooled investments:	
County Treasurer	$ 689,705
Other County officials	24,146
Receivables:	
Property tax:	
Delinquent	19,223
Succeeding year	10,014,000
Accounts	156
Accrued interest	28
Due from other governments	43,606
Prepaid expenses	16,758
Total assets	$ 10,807,622
Liabilities	
Accounts payable	$ 31,784
Salaries and benefits payable	9,598
Due to other governments (note 6)	10,641,643
Trusts payable	112,735
Compensated absences	11,862
Total liabilities	$ 10,807,622

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Clarke 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, Clarke 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. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

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: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. 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 and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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 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 Funds - Internal Service Funds are 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.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund 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 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.

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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	$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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, Rural Services and Secondary Roads 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the budget and disbursements in the County Engineer department exceeded the amount appropriated prior to the amendment of the 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.

The County's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 530,000
Debt Service	General	9,575
	Debt Service:	
	Child Care Center Reserve	25,914
		$ 565,489

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

Note 4. Hospital Revenue Note Receivable

During the year ended June 30, 2014, the County received $5,000,000 of hospital revenue notes from the Clarke County Public Hospital (Hospital). The revenue note was received in exchange for the proceeds of the general obligation hospital bonds issued by the County (note 7). The hospital revenue note receivable has the same payment schedule as the County's hospital bonds payable and are payable only from the net revenues of the Hospital, amounts on deposit in the funds held by the Hospital, and the guaranty obtained by the Hospital from a private corporation.

A summary of the County's hospital revenue note receivable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	- %	$ -	$ 217,138	$ 217,138
2016	-	-	217,138	217,138
2017	-	-	217,138	217,138
2018	-	-	217,138	217,138
2019	-	-	217,138	217,138
2020-2024	-	-	1,085,687	1,085,687
2025-2029	-	-	1,085,687	1,085,687
2030-2033	4.0-4.5	5,000,000	559,925	5,559,925
		$ 5,000,000	$ 3,816,989	$ 8,816,989

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 579,154	$ -	$ -	$ 579,154
Capital assets being depreciated:				
Buildings	7,181,344	-	-	7,181,344
Machinery and equipment	4,028,664	586,509	396,018	4,219,155
Infrastructure	12,372,240	-	-	12,372,240
Total capital assets being depreciated	23,582,248	586,509	396,018	23,772,739
Less accumulated depreciation for:				
Buildings	2,576,227	211,062	-	2,787,289
Machinery and equipment	2,669,760	326,216	396,018	2,599,958
Infrastructure	5,246,361	412,408	-	5,658,769
Total accumulated depreciation	10,492,348	949,686	396,018	11,046,016
Total capital assets being depreciated, net	13,089,900	(363,177)	-	12,726,723
Governmental activities capital assets, net	$ 13,669,054	$ (363,177)	$ -	$ 13,305,877

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	$	148,584
Physical health and social services		101,684
County environment and education		16,891
Roads and transportation		637,767
Government services to residents		1,050
Administration		43,710
Total depreciation expense - governmental activities	$	949,686

Note 6. 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:

Fund	Description		Amount
General	Services	$	3,981
Special Revenue:			
Mental Health			25,361
Secondary Roads			8,156
Total for governmental funds		$	37,498
Agency:			
County Assessor	Collections	$	422,812
Schools			5,431,818
Area Schools			272,102
Corporations			3,057,188
County Hospital			901,269
Auto License and Use Tax			201,627
All Other			354,827
Total for agency funds		$	10,641,643

Note 7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	$ 150,000	$ -	$ 17,000	$ 133,000	$ 17,000
General Obligation Hospital Bonds	-	5,000,000	-	5,000,000	-
Capital Loan Notes	1,160,000	-	310,000	850,000	315,000
Child Care Center Revenue Notes	498,827	-	7,838	490,989	8,210
Bank Loans	-	367,639	-	367,639	70,677
Capital Lease Purchase Agreements	339,689	47,874	127,919	259,644	139,980
Compensated Absences	199,319	183,919	199,319	183,919	183,919
Net OPEB Liability	60,000	14,400	-	74,400	-
Total	$ 2,407,835	$ 5,613,832	$ 662,076	$ 7,359,591	$ 734,786

General Obligation Bonds

Details of the County's June 30, 2014 general obligation solid waste disposal bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.40 %	$ 17,000	$ 4,886	$ 21,886
2016	3.64	18,000	4,308	22,308
2017	3.64	18,000	3,653	21,653
2018	3.64	19,000	2,997	21,997
2019	3.78	20,000	2,306	22,306
2020-2021	3.78	41,000	2,343	43,343
		$ 133,000	$ 20,493	$ 153,493

Note 7. Long-Term Liabilities (continued)

General Obligation Hospital Bonds

During the year ended June 30, 2014, the County issued $5,000,000 of general obligation hospital bonds. The proceeds went to the Clarke County Public Hospital in exchange for $5,000,000 of hospital revenue notes (note 4).

Details of the County's June 30, 2014 general obligation hospital bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	- %	$ -	$ 217,138	$ 217,138
2016	-	-	217,138	217,138
2017	-	-	217,138	217,138
2018	-	-	217,138	217,138
2019	-	-	217,138	217,138
2020-2024	-	-	1,085,687	1,085,687
2025-2029	-	-	1,085,687	1,085,687
2030-2033	4.0-4.5	5,000,000	559,925	5,559,925
		$ 5,000,000	$ 3,816,989	$ 8,816,989

Capital Loan Notes

Details of the County's June 30, 2014 general obligation capital loan note indebtedness are as follows:

	Series Dated June 15, 2008			Series Dated August 1, 2010		
Year Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2015	3.75 %	$ 160,000	$ 6,000	3.00 %	$ 115,000	$ 10,800
2016	-	-	-	3.00	120,000	7,350
2017	-	-	-	3.00	125,000	3,750
		$ 160,000	$ 6,000		$ 360,000	$ 21,900

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes (continued)

Year Ending June 30,	Series Dated October 15, 2011 Interest Rates	Principal	Interest	Total Principal	Total Interest	Total Total
2015	1.10 %	$ 40,000	$ 6,530	$ 315,000	$ 23,330	$ 338,330
2016	1.10	40,000	6,090	160,000	13,440	173,440
2017	2.00	40,000	5,650	165,000	9,400	174,400
2018	2.00	40,000	4,850	40,000	4,850	44,850
2019	2.00	40,000	4,050	40,000	4,050	44,050
2020-2022	2.50	130,000	6,625	130,000	6,625	136,625
		$ 330,000	$ 33,795	$ 850,000	$ 61,695	$ 911,695

Child Care Center Revenue Notes

Details of the County's June 30, 2014 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.75 %	$ 8,210	$ 23,322	$ 31,532
2016	4.75	8,600	22,932	31,532
2017	4.75	9,008	22,524	31,532
2018	4.75	9,436	22,096	31,532
2019	4.75	9,885	21,647	31,532
2020-2024	4.75	56,928	100,732	157,660
2025-2029	4.75	71,795	85,865	157,660
2030-2034	4.75	90,545	67,115	157,660
2035-2039	4.75	114,192	43,468	157,660
2040-2043	4.75	112,390	13,656	126,046
		$ 490,989	$ 423,357	$ 914,346

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of $550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

(a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.

(b) Monthly deposits of $263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of $31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.

(c) Monthly deposits of $200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

The County did not comply with all of the revenue bond provisions during the year ended June 30, 2014. The required reserve account has been established by the County but all of the required payments were not made to the sinking account.

Bank Loans

During the year ended June 30, 2014, the County entered into a bank loan of $169,639 to finance the purchase of a motor grader and a bank loan of $198,000 to finance the purchase of two bulldozers.

Details of the County's June 30, 2014 bank loan indebtedness are as follows:

	Loan dated July 17, 2013			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.25 %	$ 33,089	$ 2,138	$ 35,227
2016	1.25	33,496	1,731	35,227
2017	1.25	33,917	1,310	35,227
2018	1.25	34,351	876	35,227
2019	1.25	34,786	441	35,227
		$ 169,639	$ 6,496	$ 176,135

Note 7. Long-Term Liabilities (continued)

Bank Loans (continued)

Year Ending June 30,	Loan dated February 19, 2014 Interest Rates	Principal	Interest	Total
2015	2.56 %	$ 37,588	$ 5,153	$ 42,741
2016	2.56	38,577	4,164	42,741
2017	2.56	39,570	3,171	42,741
2018	2.56	40,606	2,135	42,741
2019	2.56	41,659	1,081	42,740
		$ 198,000	$ 15,704	$ 213,704

Year Ending June 30,	Total Principal	Interest	Total
2015	$ 70,677	$ 7,291	$ 77,968
2016	72,073	5,895	77,968
2017	73,487	4,481	77,968
2018	74,957	3,011	77,968
2019	76,445	1,522	77,967
	$ 367,639	$ 22,200	$ 389,839

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the County entered into a capital lease purchase agreement for $296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for $113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for $144,877 for the acquisition of a wheel loader. The agreement is payable in five equal annual payments including interest at 3.5%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for $141,367 for the acquisition of a motor grader. The agreement is payable in seven equal annual payments including interest at 3.25%.

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

During the year ended June 30, 2014, the County entered into a capital lease purchase agreement for $47,874, plus an initial down payment of $8,772, for the acquisition of a track loader. The agreement is payable in seven equal annual payments including interest at 2.95%.

Details of the County's June 30, 2014 capital lease purchase agreement indebtedness are as follows:

Year Ending	March 14, 2008			August 15, 2008		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2015	$ 47,255	$ 1,802	$ 49,057	$ 17,415	$ 1,429	$ 18,844
2016	-	-	-	18,116	729	18,845
	$ 47,255	$ 1,802	$ 49,057	$ 35,531	$ 2,158	$ 37,689

Year Ending	September 10, 2008			September 13, 2010		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2015	$ 17,372	$ 1,313	$ 18,685	$ 30,097	$ 1,053	$ 31,150
2016	18,017	669	18,686	-	-	-
	$ 35,389	$ 1,982	$ 37,371	$ 30,097	$ 1,053	$ 31,150

Year Ending	November 15, 2010			March 13, 2014		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2015	$ 20,482	$ 2,095	$ 22,577	$ 7,359	$ 1,412	$ 8,771
2016	21,158	1,419	22,577	7,577	1,195	8,772
2017	21,858	720	22,578	7,800	972	8,772
2018	-	-	-	8,030	742	8,772
2019	-	-	-	8,267	505	8,772
2020	-	-	-	8,841	261	9,102
	$ 63,498	$ 4,234	$ 67,732	$ 47,874	$ 5,087	$ 52,961

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Year Ending June 30,	Total Principal	Total Interest	Total Total
2015	$ 139,980	$ 9,104	$ 149,084
2016	64,868	4,012	68,880
2017	29,658	1,692	31,350
2018	8,030	742	8,772
2019	8,267	505	8,772
2020	8,841	261	9,102
	$ 259,644	$ 16,316	$ 275,960

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of $691. The lease is indefinite but the monthly lease payments per radio until used are guaranteed until June 30, 2014. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is $8,292. Rental expense for the year ended June 30, 2014 was $8,292.

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 75 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. 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.

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

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	$	43,800
Interest on net OPEB obligation		2,400
Adjustment to annual required contribution		(2,300)
Annual OPEB cost		43,900
Contributions made		(29,500)
Increase in net OPEB obligation		14,400
Net OPEB obligation beginning of year		60,000
Net OPEB obligation end of year	$	74,400

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed $29,500 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:

Year Ended June 30,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2012	$	41,796	63.4%	$	45,700
2013		43,800	67.4%		60,000
2014		43,900	67.2%		74,400

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $351,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $351,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,826,000 and the ratio of the UAAL to covered payroll was 12.4%. As of June 30, 2014, there were no trust fund assets.

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

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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, 2012 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 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table Fully Generational using Scale AA. Projected claim costs of the medical plan are $1,015 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. 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 $270,928, $267,995 and $235,809, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2014 were $115,854.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

Note 11. Risk Management (continued)

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

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Early Childhood Iowa Area Board

The County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood (Federal)	Early Childhood (State)	School Ready	Total
Revenues:				
State grants:				
Early childhood	$ -	$ 43,866	$ -	$ 43,866
Family support and parent education	-	-	163,708	163,708
Preschool support for low-income families	-	-	71,878	71,878
Quality improvement	-	-	48,219	48,219
Allocation for administration	-	2,309	9,300	11,609
Other grant programs	-	-	17,155	17,155
Total state grants	-	46,175	310,260	356,435
Interest	15	66	441	522
Total revenues	15	46,241	310,701	356,957
Expenditures:				
Program services:				
Early childhood	6,826	37,193	-	44,019
Family support and parent education	-	-	160,142	160,142
Preschool support for low income families	-	-	70,279	70,279
Quality improvement	-	-	49,573	49,573
Other program services	-	-	7,628	7,628
Total program services	6,826	37,193	287,622	331,641
Administration	-	2,309	10,158	12,467
Total expenditures	6,826	39,502	297,780	344,108
Net change in fund balances	(6,811)	6,739	12,921	12,849
Balance beginning of year	6,811	-	38,674	45,485
Balance end of year	$ -	$ 6,739	$ 51,595	$ 58,334

Findings related to the operations of the Early Childhood Iowa Area Board are included as item II-J-14 in the Schedule of Findings.

Note 13. Contingency

The County is involved in one ongoing legal case involving a contract dispute. The outcome of the case cannot be determined at this time.

Note 14. Subsequent Event

In September 2014, the County entered into a bank loan agreement for $558,958. The loan proceeds were used to purchase three new motor graders. The loan will be repaid over five years with an interest rate of 2.86%.

Note 15. Prospective Accounting Change

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

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Required Supplementary Information

CLARKE 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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
RECEIPTS:				
Property and other County tax	$ 4,266,687	$ 4,257,573	$ 4,257,573	$ 9,114
Interest and penalty on property tax	38,464	45,000	45,000	(6,536)
Intergovernmental	2,820,872	3,178,247	3,249,471	(428,599)
Licenses and permits	13,235	10,550	10,550	2,685
Charges for service	282,067	265,600	265,600	16,467
Use of money and property	26,910	26,884	26,884	26
Miscellaneous	293,300	231,850	240,522	52,778
Total receipts	7,741,535	8,015,704	8,095,600	(354,065)
DISBURSEMENTS:				
Public safety and legal services	1,595,656	1,633,601	1,682,401	86,745
Physical health and social services	920,554	1,017,370	1,063,014	142,460
Mental health	419,420	443,262	443,262	23,842
County environment and education	232,796	260,275	327,678	94,882
Roads and transportation	3,074,020	2,603,047	3,157,847	83,827
Government services to residents	388,652	427,703	429,103	40,451
Administration	899,096	942,749	955,869	56,773
Debt service	398,916	398,916	407,688	8,772
Capital projects	10,386	525,014	540,014	529,628
Total disbursements	7,939,496	8,251,937	9,006,876	1,067,380
Excess (deficiency) of receipts over (under) disbursements	(197,961)	(236,233)	(911,276)	713,315
Other financing sources, net	367,639	-	429,042	(61,403)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	169,678	(236,233)	(482,234)	651,912
Balance beginning of year	2,858,438	2,885,597	2,885,597	(27,159)
Balance end of year	$ 3,028,116	$ 2,649,364	$ 2,403,363	$ 624,753

See accompanying independent auditor's report.

CLARKE 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	$ 7,741,535	$ 17,290	$ 7,758,825
Expenditures	7,939,496	4,700	7,944,196
Net	(197,961)	12,590	(185,371)
Other financing sources, net	367,639	47,874	415,513
Beginning fund balances	2,858,438	132,434	2,990,872
Ending fund balances	$ 3,028,116	$ 192,898	$ 3,221,014

See accompanying independent auditor's report.

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 $754,939. 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, and for Emergency Management Services by the County Environmental Services Board.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the budget and disbursements in the County Engineer department exceeded the amount appropriated prior to the amendment of the appropriations.

CLARKE 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)
2010	July 1, 2009	$ -	$ 299	$ 299	0.0%	$ 2,483	12.0%
2011	July 1, 2009	-	299	299	0.0%	2,396	12.5%
2012	July 1, 2009	-	299	299	0.0%	2,693	11.1%
2013	July 1, 2012	-	351	351	0.0%	2,849	12.3%
2014	July 1, 2012	-	351	351	0.0%	2,826	12.4%

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.

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Supplementary Information

CLARKE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	Mental Health	County Recorder's Records Management	REAP	County Attorney Forfeiture
Assets				
Cash and pooled investments	$ 146,106	$ 4,911	$ 155,016	$ 3,297
Receivables:				
Property tax:				
Delinquent	732	-	-	-
Succeeding year	406,000	-	-	-
Accounts	-	160	-	-
Accrued interest	-	-	24	-
Total assets	$ 552,838	$ 5,071	$ 155,040	$ 3,297
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 10,591	$ -	$ 1,742	$ -
Salaries and benefits payable	592	-	-	-
Due to other governments	25,361	-	-	-
Total liabilities	36,544	-	1,742	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	406,000	-	-	-
Other	732	-	-	-
Total deferred inflows of resources	406,732	-	-	-
Fund balances:				
Restricted for:				
Mental health purposes	109,562	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	-	-	153,298	-
Other purposes	-	5,071	-	3,297
Total fund balances	109,562	5,071	153,298	3,297
Total liabilities, deferred inflows of resources and fund balances	$ 552,838	$ 5,071	$ 155,040	$ 3,297

See accompanying independent auditor's report.

Drug Forfeiture	Drug Dog	Debt Service	Capital Projects	Total
$ 6,618	$ 47	$ 44,905	$ 5,645	$ 366,545
-	-	564	-	1,296
-	-	321,000	-	727,000
-	-	-	-	160
-	-	-	-	24
$ 6,618	$ 47	$ 366,469	$ 5,645	$ 1,095,025
$ 55	$ -	$ -	$ -	$ 12,388
-	-	-	-	592
-	-	-	-	25,361
55	-	-	-	38,341
-	-	321,000	-	727,000
-	-	564	-	1,296
-	-	321,564	-	728,296
-	-	-	-	109,562
-	-	44,905	-	44,905
-	-	-	5,645	5,645
-	-	-	-	153,298
6,563	47	-	-	14,978
6,563	47	44,905	5,645	328,388
$ 6,618	$ 47	$ 366,469	$ 5,645	$ 1,095,025

CLARKE COUNTY

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

	Special Revenue			
	Mental Health	County Recorder's Records Management	REAP	County Attorney Forfeiture
Revenues:				
Property and other County tax	$ 412,480	$ -	$ -	$ -
Intergovernmental	44,892	-	12,792	-
Charges for service	-	1,851	-	-
Use of money and property	-	3	349	-
Miscellaneous	348	-	-	-
Total revenues	457,720	1,854	13,141	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Mental health	293,145	-	-	-
Government services to residents	-	1,400	-	-
Debt service	-	-	-	-
Capital projects	-	-	1,742	-
Total expenditures	293,145	1,400	1,742	-
Excess (deficiency) of revenues over (under) expenditures	164,575	454	11,399	-
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	164,575	454	11,399	-
Fund balances beginning of year	(55,013)	4,617	141,899	3,297
Fund balances end of year	$ 109,562	$ 5,071	$ 153,298	$ 3,297

See accompanying independent auditor's report.

		Debt Service			
Drug Forfeiture	Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
$ -	$ -	$ 330,819	$ -	$ -	$ 743,299
-	-	64,780	1,375	-	123,839
-	-	-	-	-	1,851
-	-	-	-	26	378
-	-	-	-	-	348
-	-	395,599	1,375	26	869,715
659	-	-	-	-	659
-	-	-	-	-	293,145
-	-	-	-	-	1,400
-	-	398,916	-	-	398,916
-	-	-	-	1,615	3,357
659	-	398,916	-	1,615	697,477
(659)	-	(3,317)	1,375	(1,589)	172,238
-	-	35,489	-	-	35,489
-	-	-	(25,914)	-	(25,914)
-	-	35,489	(25,914)	-	9,575
(659)	-	32,172	(24,539)	(1,589)	181,813
7,222	47	12,733	24,539	7,234	146,575
$ 6,563	$ 47	$ 44,905	$ -	$ 5,645	$ 328,388

CLARKE COUNTY

COMBINING SCHEDULE OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

	Flexible Spending	Health Insurance	Total
Assets			
Cash and cash equivalents	$ 6,612	$ 7,433	$ 14,045
Accounts receivable	1,337	32,578	33,915
Total assets	7,949	40,011	47,960
Liabilities			
Accounts payable	144	-	144
Fund Net Position			
Unrestricted	$ 7,805	$ 40,011	$ 47,816

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	$ -	$ 748,349	$ 748,349
Charges to employees and others	26,775	157,980	184,755
Total operating revenues	26,775	906,329	933,104
Operating expenses:			
Insurance premiums	-	906,378	906,378
Flexible spending claims	27,562	-	27,562
Administrative fees	1,628	-	1,628
Total operating expenses	29,190	906,378	935,568
Operating loss	(2,415)	(49)	(2,464)
Fund net position beginning of year	10,220	40,060	50,280
Fund net position end of year	$ 7,805	$ 40,011	$ 47,816

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2014

	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	$ -	$ 750,324	$ 750,324
Cash received from employees and others	26,449	157,980	184,429
Cash payments to suppliers for services	(29,176)	(906,378)	(935,554)
Net cash provided by (used by) operating activities	(2,727)	1,926	(801)
Cash and cash equivalents beginning of year	9,339	5,507	14,846
Cash and cash equivalents end of year	$ 6,612	$ 7,433	$ 14,045
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating loss	$ (2,415)	$ (49)	$ (2,464)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
(Increase) decrease in accounts receivable	(326)	1,975	1,649
Increase in accounts payable	14	-	14
Net cash provided by (used by) operating activities	$ (2,727)	$ 1,926	$ (801)

See accompanying independent auditor's report.

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CLARKE COUNTY

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

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
ASSETS				
Cash and pooled investments:				
County Treasurer	$ -	$ -	$ 1,362	$ 175,217
Other County officials	14,530	9,616	-	-
Receivables:				
Property tax:				
Delinquent	-	-	189	423
Succeeding year	-	-	97,000	249,000
Accounts	156	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	12,937
Total assets	$ 14,686	$ 9,616	$ 98,551	$ 437,577
LIABILITIES				
Accounts payable	$ 6,159	$ 3,751	$ -	$ 184
Salaries and benefits payable	-	-	-	6,168
Due to other governments	8,527	-	98,551	422,812
Trusts payable	-	5,865	-	-
Compensated absences	-	-	-	8,413
Total liabilities	$ 14,686	$ 9,616	$ 98,551	$ 437,577

Schools	Area Schools	Corporations	Townships	City and Water Special Assessments	County Hospital	Brucellosis and Tuberculosis Eradication
$ 69,597	$ 3,600	$ 39,064	$ 2,169	$ 1,746	$ 11,651	$ 15
-	-	-	-	-	-	-
9,221	502	7,124	144	-	1,618	2
5,353,000	268,000	3,011,000	147,000	-	888,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 5,431,818	$ 272,102	$ 3,057,188	$ 149,313	$ 1,746	$ 901,269	$ 1,017
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
5,431,818	272,102	3,057,188	149,313	1,746	901,269	1,017
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 5,431,818	$ 272,102	$ 3,057,188	$ 149,313	$ 1,746	$ 901,269	$ 1,017

CLARKE COUNTY

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

	Auto License and Use Tax	Advance Tax	Emergency Management
ASSETS			
Cash and pooled investments:			
County Treasurer	$ 201,627	$ 106,870	$ 37,688
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	-	-	-
Due from other governments	-	-	359
Prepaid expenses	-	-	3,821
Total assets	$ 201,627	$ 106,870	$ 41,868
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Salaries and benefits payable	-	-	1,503
Due to other governments	201,627	-	39,272
Trusts payable	-	106,870	-
Compensated absences	-	-	1,093
Total liabilities	$ 201,627	$ 106,870	$ 41,868

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Kids First Communities Early Childhood Iowa	Total
$ 137	$ (43,247)	82,209	$ 689,705
-	-	-	24,146
-	-	-	19,223
-	-	-	10,014,000
-	-	-	156
-	-	28	28
-	43,247	-	43,606
-	-	-	16,758
$ 137	$ -	$ 82,237	$ 10,807,622
$ -	$ -	21,690	$ 31,784
-	-	1,927	9,598
137	-	56,264	10,641,643
-	-	-	112,735
-	-	2,356	11,862
$ 137	$ -	$ 82,237	$ 10,807,622

CLARKE COUNTY

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

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	$ 15,228	$ 7,251	$ 108,588	$ 416,000
Additions:				
Property and other County tax	-	-	96,608	249,240
State tax credits	-	-	4,886	10,919
Office fees and collections	176,284	154,350	-	469
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	175,166	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	176,284	329,516	101,494	260,628
Deductions:				
Agency remittances:				
To other funds	72,318	152,933	-	-
To other governments	104,508	1,328	111,531	239,051
Trusts paid out	-	172,890	-	-
Total deductions	176,826	327,151	111,531	239,051
Balances end of year	$ 14,686	$ 9,616	$ 98,551	$ 437,577

Schools	Area Schools	Corporations	Townships	City and Water Special Assessments	County Hospital	Brucellosis and Tuberculosis Eradication
$ 5,541,549	$ 286,135	$ 3,113,949	$ 149,654	$ 1,009	$ 926,299	$ 1,017
5,352,422	267,882	2,976,564	148,675	-	888,165	1,172
247,782	12,906	103,340	7,917	-	41,808	54
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,107	-	-
-	-	-	-	-	-	-
5,600,204	280,788	3,079,904	156,592	8,107	929,973	1,226
-	-	-	-	-	-	-
5,709,935	294,821	3,136,665	156,933	7,370	955,003	1,226
-	-	-	-	-	-	-
5,709,935	294,821	3,136,665	156,933	7,370	955,003	1,226
$ 5,431,818	$ 272,102	$ 3,057,188	$ 149,313	$ 1,746	$ 901,269	$ 1,017

CLARKE COUNTY

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

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
ASSETS AND LIABILITIES				
Balances beginning of year	$ 166,646	$ 122,977	$ 10,940	$ 34,346
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,394,936	-	-	-
Trusts	-	163,342	203,478	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	71,475
Total additions	2,394,936	163,342	203,478	71,475
Deductions:				
Agency remittances:				
To other funds	97,613	-	-	-
To other governments	2,262,342	-	-	63,953
Trusts paid out	-	179,449	214,418	-
Total deductions	2,359,955	179,449	214,418	63,953
Balances end of year	$ 201,627	$ 106,870	$ -	$ 41,868

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Kids First Communities Early Childhood Iowa	Total
$ 343	$ 54,604	$ 10,956,535
-	-	9,980,728
-	-	429,612
1,705	-	332,808
-	-	2,394,936
-	-	541,986
-	-	8,107
-	356,957	428,432
1,705	356,957	14,116,609
-	-	322,864
1,911	329,324	13,375,901
-	-	566,757
1,911	329,324	14,265,522
$ 137	$ 82,237	$ 10,807,622

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and other County tax	$ 4,264,117	$ 4,347,655	$ 4,367,553	$ 4,043,156
Interest and penalty on property tax	38,464	39,364	48,041	50,237
Intergovernmental	2,824,583	2,755,828	3,261,308	3,469,211
Licenses and permits	13,235	14,080	9,665	8,125
Charges for service	288,194	283,249	318,606	273,915
Use of money and property	27,089	28,916	35,505	40,524
Miscellaneous	303,143	305,349	572,158	543,635
Total	$ 7,758,825	$ 7,774,441	$ 8,612,836	$ 8,428,803
Expenditures:				
Operating:				
Public safety and legal services	$ 1,603,045	$ 1,567,693	$ 1,533,021	$ 1,496,550
Physical health and social services	932,346	977,023	959,190	987,117
Mental health	293,145	323,786	1,269,129	1,057,201
County environment and education	302,113	247,370	263,238	226,106
Roads and transportation	3,096,303	2,772,365	2,844,674	2,544,789
Government services to residents	390,461	399,255	381,017	379,080
Administration	915,738	869,792	887,858	850,472
Debt service	398,916	397,160	354,282	208,579
Capital projects	12,129	2,539	589,287	792,253
Total	$ 7,944,196	$ 7,556,983	$ 9,081,696	$ 8,542,147

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
$ 3,764,427	$ 3,459,732	$ 3,560,557	$ 4,197,991	$ 3,728,172	$ 3,843,161
56,151	48,568	40,112	36,111	37,986	45,088
3,299,875	4,379,483	3,798,207	3,345,660	3,031,600	3,133,909
10,160	10,980	10,650	9,235	8,890	11,835
312,757	267,554	260,905	262,821	268,264	229,834
41,009	69,711	143,553	285,982	192,814	115,778
440,911	274,302	369,071	254,497	323,628	307,346
$ 7,925,290	$ 8,510,330	$ 8,183,055	$ 8,392,297	$ 7,591,354	$ 7,686,951
$ 1,741,935	$ 1,557,140	$ 1,440,885	$ 1,457,547	$ 1,369,187	1,308,070
1,055,582	1,006,047	1,005,010	919,485	897,918	847,740
938,643	1,021,859	1,140,658	1,032,628	1,021,097	891,323
255,954	276,902	261,894	250,582	248,329	230,743
2,482,289	3,480,704	2,967,938	2,224,277	2,149,188	2,452,539
360,455	350,826	334,031	304,375	388,646	312,804
815,736	756,184	762,990	697,713	729,359	671,734
272,849	836,251	3,004,237	528,691	543,682	688,377
63,952	908,928	938,234	383,320	123,988	744,897
$ 7,987,395	$ 10,194,841	$ 11,855,877	$ 7,798,618	$ 7,471,394	$ 8,148,227

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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 Clarke 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 Clarke 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 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarke 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 Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke 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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, as described in Part I of the accompanying Schedule of Findings that we consider to be significant deficiencies.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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.

Clarke County's Responses to Findings

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Clarke 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 Clarke 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 19, 2015

CLARKE 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:

	Applicable Offices
(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.	Public Health, Recorder
(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.	Recorder
(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.	Recorder
(4) The preparing and distributing of bills and the posting and collecting of the related payments are all done by the same individual.	Public Health

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.

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-14 Segregation of Duties (continued)

Responses –

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

County Recorder - We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

Conclusion – Responses accepted.

I-B-14 Motor Vehicle Department – We noted in our testing of the motor vehicle department that the ending balance of the Motor Vehicle Agency Fund account was out of balance by approximately $2,273 when compared to the revenues received during the month of April 2014 and the liabilities owed to the Clarke County General Fund and to the State of Iowa at April 30, 2014. This difference arose from errors in recording non-sufficient funds (NSF) web payments over the past few years. We noted that these receipts were being recorded as receipts and paid to the State twice, once at issuance and once at the collection of the NSF amount. The County was able to trace $886 of these to the specific transactions, which were then corrected with the State, leaving an understatement of $1,387 at June 30, 2014.

Recommendation – The County should investigate this difference further and take any action deemed necessary to address the shortfall as noted. The County should develop and implement procedures to ensure that NSF web payments are being properly recorded.

Response – We corrected the $886 overpayment to the State in May 2014 after the error was noted by the independent auditors. We corrected the remaining overpayment in December 2014 through the Clarke County General Fund. We have also corrected our procedures for handling NSF web payments.

Conclusion – Response accepted.

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-C-14 Billing – The U.S. Department of Veterans Affairs has not been billed in a timely manner each month for services provided by the Public Health department to eligible clients. There were instances in which billings were prepared on a quarterly basis rather than monthly. Preparing accurate billings in a timely manner is an important aspect of the billing cycle.

Recommendation – The Public Health department should review policies and procedures to ensure all billings are prepared in a timely manner.

Response – We will try to ensure that all billings are prepared timely.

Conclusion – Response accepted.

I-D-14 Invoices – The Public Health department does not maintain a paper or electronic copy of billings for "private pay" clients. In addition, the department did not maintain a listing of unpaid billings. As a result, unpaid billings were not pursued by department staff for collection.

Recommendation – Public Health department officials should implement procedures to ensure a copy is retained of each billing invoice distributed and a listing of outstanding accounts receivable is maintained in order to ensure all amounts billed are collected in a timely manner.

Response – We will implement the recommended procedures to ensure collection of all amounts billed.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the roads and transportation function prior to the amendment of the budget. Disbursements in the County Engineer department exceeded the amount appropriated prior to the amendment of the appropriations.

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

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

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

Conclusion – Response accepted.

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 – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cindy West, Secondary Roads Office Manager Spouse owns Mike's Landscape and Construction	Lawn care	$1,805

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transaction does not represent a conflict of interest since the employee was not directly involved in the procurement or preparation of any part of the contract.

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.

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

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 exceeded the amount budgeted.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

II-J-14 Early Childhood Iowa Area Board – Clarke County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

II-K-14 Debt Service Payments – We noted that the payments of principal and interest for the County's capital lease purchase agreements were made through the roads and transportation function rather than the debt service function.

Recommendation – All payments on long-term debt such as capital lease purchase agreements should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.

Response – We do not feel a change is necessary at this time. The expenditures are budgeted and paid out of the roads and transportation function in order to comply with Department of Transportation reporting requirements.

Conclusion – Response acknowledged, however, the expenditures would be more accurately classified if our recommendation is followed.

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

II-L-14 Child Care Center Revenue Notes – We noted that not all of the required monthly payments from The Village, Ltd. to the Child Care Center Reserve Fund were made during the year ended June 30, 2014.

Recommendation – The County should work with The Village, Ltd. to ensure that the monthly payments for the reserve fund are made as required by the child care center revenue notes resolution.

Response – We will continue to work with The Village, Ltd. to try to ensure that they make the required payments to the reserve fund in the future.

Conclusion – Response accepted.

II-M-14 Public Hearing – We noted that public hearings were not held for the incurrence of the two bank loans and the capital lease purchase agreement as required by Chapter 331.479 of the Code of Iowa.

Recommendation – The County should publish the required notice and hold a public hearing for any debt incurrence. The public notice should include the amount, purposes, and form of the debt, the proposed time of its liquidation, and the time and place of the meeting at which the Board proposes to take action to authorize the debt.

Response – We will publish the required notice and hold a public hearing for all future debt incurrences.

Conclusion – Response accepted.

II-N-14 Homemakers Health Payroll – The County previously had entered into an agreement with the Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care was to reimburse the County for payroll expenses, which were recorded in an Agency Fund of the County. At June 30, 2014, Home Care owed the County $43,247 for payroll expenses. Home care closed and merged into the County's Public Health department in March 2010.

Recommendation – The County should develop a plan to eliminate the deficit in this fund.

Response – We have approved a ten year repayment plan that started in fiscal year 2013 to eliminate the deficit from this fund.

Conclusion – Response accepted.