

**FAYETTE COUNTY**  
**West Union, Iowa**

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

June 30, 2014

**FAYETTE COUNTY**  
West Union, Iowa

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FAYETTE COUNTY  
West Union, Iowa

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Darrell Dolf.....	January 2015 .....	Board of Supervisors
Jeanine Tellin.....	January 2015 .....	Board of Supervisors
Vicki Rowland .....	January 2017 .....	Board of Supervisors
Lori Moellers .....	January 2017 .....	Auditor
Kyle Jacobsen .....	January 2015 .....	Treasurer
Karen Ford .....	January 2015 .....	Recorder
Marty Fisher.....	January 2017 .....	Sheriff
W. Wayne Saur .....	January 2015 .....	Attorney
Joe Flores* .....	Appointed.....	Assessor

\*Joe Flores retired effective January 10, 2014. Ali Manson was appointed effective April 2, 2014.



## **Independent Auditor's Report**

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To the Officials of Fayette County  
West Union, Iowa

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## *Opinions*

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 - 11 and 42 - 45 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of Fayette County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayette County, Iowa's internal control over financial reporting and compliance.

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 30, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 11.28% or approximately \$1,964,140 from 2013 to 2014. Property taxes increased approximately \$159,754 and operating grants, contributions and restricted interest decreased approximately \$469,153. Capital grants contributions and restricted interest decreased approximately \$1,837,677.
- County program expenses were 3.79% or approximately \$576,679 less in 2014 than in 2013. Mental Health expense decreased approximately \$160,084. Roads and Transportation expense decreased \$769,932.
- The County's net position increased 1.71% or approximately \$811,777 from June 30, 2013 to June 30, 2014.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **Reporting the County's Financial Activities**

### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

The County has three kinds of funds:

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

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Fayette County's combined net position was changed, increasing from \$47,525,942 to \$48,337,719. The analysis below focuses on net position and changes in net position of government activities.

#### **Net Position of Governmental Activities**

	(Expressed in Thousands)	
	2014	2013
Current and Other Assets	\$14,399	\$13,239
Capital Assets	42,667	42,642
Total Assets	<u>57,066</u>	<u>55,881</u>
Long-Term Debt Outstanding	1,204	708
Other Liabilities	386	651
Total Liabilities	<u>1,590</u>	<u>1,359</u>
Deferred Inflows of Resources	<u>7,138</u>	<u>6,996</u>
Net Position:		
Net Investment in Capital Assets	42,346	42,642
Restricted	4,954	3,841
Unrestricted	<u>1,038</u>	<u>1,043</u>
Total Net Position	<u>\$48,338</u>	<u>\$47,526</u>

Net position of the County's governmental activities increased by approximately 1.71%, (\$48,337,719 compared to \$47,525,942). The largest portion of the County's net position is invested in capital assets (infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased from \$1,042,632 at June 30, 2013 to \$1,037,811 at June 30, 2014.

**Changes in Net Position of Governmental Activities**

	(Expressed in Thousands)	
	Year Ended June 30,	
	2014	2013
Program Revenues:		
Charges for Service	\$ 2,048	\$ 1,895
Operating Grants and Contributions	4,544	5,013
Capital Grants and Contributions	14	1,851
General Revenues:		
Property Tax	7,175	7,015
Penalty and Interest on Property Tax	65	68
State Tax Credits	465	407
Local Option Sales Tax	707	631
Unrestricted Investment Earnings	22	24
Other General Revenues	403	503
Total Revenues	<u>15,443</u>	<u>17,407</u>
Program Expenses:		
Public Safety and Legal Services	3,415	3,193
Physical Health and Social Services	446	442
Mental Health	1,166	1,326
County Environment and Education	1,437	1,406
Roads and Transportation	5,713	6,483
Governmental Services to Residents	574	582
Administration	1,248	1,150
Non-Program	631	618
Interest on Long-Term Debt	1	8
Total Expenses	<u>14,631</u>	<u>15,208</u>
Increase in Net Position	812	2,199
Net Position Beginning of Year	<u>47,526</u>	<u>45,327</u>
Net Position End of Year	<u>\$48,338</u>	<u>\$47,526</u>

The County's revenue decreased approximately 11.28%, or \$1,964,140. The total cost of programs and services decreased 3.79%, or \$576,679, with no new programs added this year. The cost of all governmental activities was approximately \$14,630,975 compared to \$15,207,654 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$8,024,835 because some of the cost was paid by those directly benefited from the programs (\$2,048,235) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,557,905). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal 2014 from approximately \$8,759,850 to \$6,606,140.

### ***Governmental Activities***

Fayette County increased the property tax dollars levied for 2014 by 2.94%. This was an increase of \$213,162. Despite this tax increase, the ending balance was estimated to be less than 2013 due to expectations of revenues remaining at the lower level in 2014. The projected fund balance to expenditure ratio at the end of the year is considerably more than the last few years yet it still remains a concern.

Property taxes were increased in the General Basic Fund by \$107,030; the General Supplemental Fund by \$242,565; the MHDD Fund by \$1,224; and the Rural Services Fund by \$169,019 all to cover miscellaneous items. The Debt Service Fund with a decrease of \$306,676. The jail debt has been paid off so the Debt Service Fund is no longer needed.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As Fayette County completed the year, its governmental funds reported a combined fund balance of \$6,427,143, an increase of \$1,109,588 above last year's total of \$5,317,555. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The combined ending fund balance of the General and General Supplemental Funds increased by \$238,724 from 2013 to 2014. This increase in balance was due to an increase in property tax, revenue and changes for service.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,153,942, a decrease of 12.56% from the prior year. The Mental Health Fund balance at year end increased \$8,431 over the prior year.

The Rural Services Fund balance increased \$153,286 from a year ago to \$646,266. This was due to an increase of property tax revenue and slightly higher expenditures.

The Secondary Road Fund ended the 2014 year with a balance of \$2,217,304. This is higher than the \$1,538,007 balance one year ago, due to a decrease in roads and transportation expenditures.

### **BUDGETARY HIGHLIGHTS**

The budget was amended one time during the year, on February 18, 2014. This amendment raised budgeted revenues for the following sources: \$22,927 for Intergovernmental, \$133,235 for Charges for Service, and \$22,894 for Use of Money and Property. The budgeted amount of revenues from the Licenses and Permits and Miscellaneous sources were increased by \$950 and \$27,901, respectively, as a result of the amendment.

## **BUDGETARY HIGHLIGHTS (CONTINUED)**

Various function expenditures were also adjusted as a result of the budget amendments. The Public Safety and Legal Services, Physical Health and Social Services, County Environment and Education, Roads and Transportation, and Nonprogram functions budgeted expenditures were increased by \$223,131, \$15,732, \$2,338, \$29,706, and \$102,931 respectively. The budgeted expenditures were reduced for the following functions as a result of the amendments: \$1,236 for Mental Health, \$6,300 for Governmental Services to Residents, \$4,515 for Administration, and \$26,000 for Capital Projects. In total, the budget amendments increased budgeted expenditures by \$335,787.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the County had \$70,031,376 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) or approximately \$1,597,152 or 2.33% over last year.

### **Capital Assets of Governmental Activities at Year End**

	(Expressed in Thousands)	
	2014	2013
Land	\$ 2,258	\$ 1,938
Buildings	4,574	4,574
Equipment	9,623	9,365
Construction in Progress	4,802	8,976
Infrastructure	48,774	43,581
Total	<u>\$70,031</u>	<u>\$68,434</u>
This year's major additions include		
Conservation Land		\$ 320
Secondary Road Equipment		196
Infrastructure		<u>5,192</u>
		<u>\$5,708</u>

The County had depreciation expense of \$1,662,921 for the year ended June 30, 2014 and total accumulated depreciation as of June 30, 2014 of \$27,364,700.

The County's fiscal year 2014 capital project budget totaled \$602,850 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2014, the County had \$774,002 in bonds and other debt, compared to \$391,569 in bonds and other debt last year, as shown below.

**Outstanding Debt of Governmental Activities at Year End**

	(Expressed in Thousands)	
	2014	2013
General Obligation Bonds	\$ 1	\$ 0
Installment Purchase Agreement	320	0
Compensated Absences	453	392
	<u>\$774</u>	<u>\$392</u>

Debt increased as a result of the County entering into an installment purchase agreement for conservation land.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue up to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$73.4 million limit.

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

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

The County begins the 2015 fiscal year with an actual fund balance to budgeted expenditures ratio of 21.31%. This is slightly greater than last year. The General Basic Fund continues to be a concern considering the low fund balance. This year the General Basic Fund will be used to help pay for the lagoon project on the County Farm.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 114 N. Vine St., West Union, IA.

**FAYETTE COUNTY**  
**West Union, Iowa**

**STATEMENT OF NET POSITION**  
 June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash, Cash Equivalents and Pooled Investments	\$ 5,129,101
Receivables:	
Property Tax:	
Delinquent	27,140
Succeeding Year	7,138,096
Interest and Penalty on Property Tax	204
Accounts	85,082
Accrued Interest	1,653
Due From Other Governments	583,187
Inventories	1,434,835
Capital Assets (Net of Accumulated Depreciation)	<u>42,666,676</u>
<b>TOTAL ASSETS</b>	<u>57,065,974</u>
<b>LIABILITIES</b>	
Accounts Payable	235,319
Salaries and Benefits Payable	147,529
Due To Other Governments	3,640
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	453,138
Portion Due or Payable After One Year:	
Installment Purchase Agreement	320,265
General Obligation Bonds	599
Net OPEB Liability	<u>429,669</u>
<b>TOTAL LIABILITIES</b>	<u>1,590,159</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Property Tax Revenue	<u>7,138,096</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	42,345,812
Restricted For:	
Supplemental Levy Purposes	1,316,814
Mental Health Purposes	609,738
Rural Services Purposes	647,918
Secondary Roads Purposes	1,994,609
Other Purposes	385,017
Unrestricted	<u>1,037,811</u>
<b>TOTAL NET POSITION</b>	<u><u>\$48,337,719</u></u>

See Notes To Financial Statements

FAYETTE COUNTY  
West Union, Iowa

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

	Expenses
<b>FUNCTIONS/PROGRAMS:</b>	
Governmental Activities:	
Public Safety and Legal Services	\$ 3,415,481
Physical Health and Social Services	445,603
Mental Health	1,166,147
County Environment and Education	1,437,319
Roads and Transportation	5,713,049
Governmental Services to Residents	574,227
Administration	1,247,955
Non-Program	630,764
Interest on Long-Term Debt	430
	<hr/>
<b>TOTAL</b>	<b>\$14,630,975</b>
	<hr/> <hr/>

**GENERAL REVENUES:**

Property and Other County Tax Levied For:  
    General Purposes  
Penalty and Interest on Property Tax  
State Tax Credits  
Local Option Sales Tax  
Unrestricted Investment Earnings  
Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

**NET POSITION END OF YEAR**

See Notes To Financial Statements

Exhibit B

Charges for Service	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
\$ 555,463	\$ 22,366	\$ 0	\$ (2,837,652)
12,875	161,795	0	(270,933)
319,938	534	0	(845,675)
114,503	290,171	0	(1,032,645)
23,829	3,923,778	13,684	(1,751,758)
374,279	0	0	(199,948)
12,521	0	0	(1,235,434)
634,827	145,577	0	149,640
0	0	0	(430)
<u>\$2,048,235</u>	<u>\$4,544,221</u>	<u>\$13,684</u>	<u>(8,024,835)</u>

7,174,305
65,290
465,424
707,306
22,052
402,235
<u>8,836,612</u>
811,777
<u>47,525,942</u>
<u>\$48,337,719</u>

**FAYETTE COUNTY**  
West Union, Iowa

BALANCE SHEET  
**GOVERNMENTAL FUNDS**  
June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
<b>ASSETS</b>			
Cash, Cash Equivalents and Pooled Investments	\$2,709,021	\$ 561,107	\$ 530,179
Receivables:			
Property Tax:			
Delinquent	22,042	3,374	1,724
Succeeding Year	4,633,087	709,135	1,795,874
Interest and Penalty on Property Tax	204	0	0
Accounts	62,874	0	21,449
Accrued Interest	1,580	0	0
Due From Other Governments	71,665	51,452	106,393
Inventories	0	0	0
	<b>\$7,500,473</b>	<b>\$1,325,068</b>	<b>\$2,455,619</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 63,399	\$ 0	\$ 1,794
Salaries and Benefits Payable	79,865	6,195	10,033
Due To Other Governments	3,640	0	0
Total Liabilities	146,904	6,195	11,827
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	4,633,087	709,135	1,795,874
Other	21,672	30,365	1,652
Total Deferred Inflows of Resources	4,654,759	739,500	1,797,526
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted For:			
Supplemental Levy Purposes	1,308,619	0	0
Mental Health Purposes	0	579,373	0
Rural Services Purposes	0	0	646,266
Secondary Roads Purposes	0	0	0
Drainage Purposes	0	0	0
Conservation Land Acquisition	99,627	0	0
Other Purposes	0	0	0
Assigned for Sheriff	52,042	0	0
Unassigned	1,238,522	0	0
Total Fund Balances	2,698,810	579,373	646,266
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$7,500,473</b>	<b>\$1,325,068</b>	<b>\$2,455,619</b>

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 622,854	\$288,382	\$ 4,711,543
0	0	27,140
0	0	7,138,096
0	0	204
220	469	85,012
0	73	1,653
353,677	0	583,187
1,434,835	0	1,434,835
<u>\$2,411,586</u>	<u>\$288,924</u>	<u>\$13,981,670</u>
\$ 142,846	\$ 3,534	\$ 211,573
51,436	0	147,529
0	0	3,640
<u>194,282</u>	<u>3,534</u>	<u>362,742</u>
0	0	7,138,096
0	0	53,689
<u>0</u>	<u>0</u>	<u>7,191,785</u>
1,434,835	0	1,434,835
0	0	1,308,619
0	0	579,373
0	0	646,266
782,469	0	782,469
0	6,336	6,336
0	0	99,627
0	279,054	279,054
0	0	52,042
0	0	1,238,522
<u>2,217,304</u>	<u>285,390</u>	<u>6,427,143</u>
<u>\$2,411,586</u>	<u>\$288,924</u>	<u>\$13,981,670</u>

FAYETTE COUNTY  
West Union, Iowa

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

Total Governmental Fund Balances (Page 16) \$ 6,427,143

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$70,031,376 and the accumulated depreciation is \$27,364,700. 42,666,676

Other long-term assets are not available to pay for current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 53,689

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 393,882

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and installment purchases payable are not due and payable in the current period and, therefore, are not reported in the funds. (1,203,671)

Net Position of Governmental Activities (Page 12) \$48,337,719

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property and Other County Tax	\$4,637,073	\$ 725,700	\$ 1,807,546
Local Option Sales Tax	0	0	707,306
Interest and Penalty on Property Tax	65,290	0	0
Intergovernmental	665,011	367,141	391,133
Licenses and Permits	12,875	0	6,450
Charges for Service	877,264	1,000	4,550
Use of Money and Property	107,111	0	0
Miscellaneous	196,420	68,532	4,475
Total Revenues	<u>6,561,044</u>	<u>1,162,373</u>	<u>2,921,460</u>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety and Legal Services	3,366,603	0	0
Physical Health and Social Services	443,093	0	0
Mental Health	0	1,153,942	0
County Environment and Education	598,902	0	785,463
Roads and Transportation	0	0	256,848
Governmental Services to Residents	565,593	0	4,102
Administration	1,034,704	0	0
Non-Program	269,764	0	0
Debt Service	430	0	0
Capital Projects	328,101	0	0
Total Expenditures	<u>6,607,190</u>	<u>1,153,942</u>	<u>1,046,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,146)</u>	<u>8,431</u>	<u>1,875,047</u>
Other Financing Sources (Uses):			
Transfers In	6	0	0
Transfers Out	(80,000)	0	(1,721,761)
General Obligation Bonds Issued	44,599	0	0
Proceeds from Installment Purchase	320,265	0	0
Total Other Financing Sources (Uses)	<u>284,870</u>	<u>0</u>	<u>(1,721,761)</u>
Change in Fund Balances	238,724	8,431	153,286
Fund Balances Beginning of Year	2,460,086	570,942	492,980
Increase in Reserve for Inventories	0	0	0
Fund Balances End of Year	<u>\$2,698,810</u>	<u>\$ 579,373</u>	<u>\$ 646,266</u>

See Notes To Financial Statements

<u>Special Revenue</u>		
Secondary		
Roads	Nonmajor	Total
\$ 0	\$ 0	\$ 7,170,319
0	0	707,306
0	0	65,290
3,915,226	18,254	5,356,765
7,895	0	27,220
1,320	14,938	899,072
0	43,461	150,572
113,857	2,484	385,768
4,038,298	79,137	14,762,312
0	360	3,366,963
0	0	443,093
0	0	1,153,942
0	32,513	1,416,878
4,915,925	0	5,172,773
0	1,964	571,659
239,110	0	1,273,814
0	0	269,764
0	0	430
286,346	14,444	628,891
5,441,381	49,281	14,298,207
(1,403,083)	29,856	464,105
1,801,761	0	1,801,767
0	(6)	(1,801,767)
0	0	44,599
0	0	320,265
1,801,761	(6)	364,864
398,678	29,850	828,969
1,538,007	255,540	5,317,555
280,619	0	280,619
\$ 2,217,304	\$285,390	\$ 6,427,143

FAYETTE COUNTY  
West Union, Iowa

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

Change in Fund Balances - Total Governmental Funds (Page 19) \$ 828,969

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

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

Expenditures for Capital Assets	\$ 1,673,876	
Contributions from Others	13,684	
Depreciation Expense	<u>(1,662,921)</u>	24,639

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

Property Tax	3,986	
Other	<u>27,048</u>	31,034

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

Issued	(364,864)	
Repaid	<u>44,000</u>	(320,864)

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

Compensated Absences	(61,569)	
Other Post Employment Benefits	<u>(113,030)</u>	(174,599)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 280,619

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 141,979

Change in Net Position of Governmental Activities (Page 14) \$ 811,777

See Notes to Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2014

	<u>Internal Service Employee Group Health</u>
<b>ASSETS</b>	
Cash, Cash Equivalents and Pooled Investments	\$417,558
Receivables:	
Accounts	<u>70</u>
<b>TOTAL ASSETS</b>	<u><u>\$417,628</u></u>
<b>LIABILITIES</b>	
Accounts Payable	<u><u>\$ 23,746</u></u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$393,882</u></u>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	<u>Internal Service Employee Group Health</u>
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,404,470
Reimbursements From Employees and Others	307,475
Insurance Reimbursements	553,606
Total Operating Revenues	<u>2,265,551</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	376,229
Insurance Premiums	1,718,717
Administrative Fees	26,470
Miscellaneous	3,051
Total Operating Expenses	<u>2,124,467</u>
Operating Income	141,084
<b>NON-OPERATING REVENUES:</b>	
Interest Income	<u>895</u>
Net Income	141,979
Net Position Beginning of Year	<u>251,903</u>
Net Position End of Year	<u>\$ 393,882</u>

See Notes To Financial Statements

FAYETTE COUNTY  
West Union, Iowa

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

	<u>Internal Service Employee Group Health</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$ 1,404,470
Cash Received From Employees and Others	861,081
Cash Paid To Suppliers For Services	<u>(2,151,154)</u>
Net Cash Provided by Operating Activities	<u>114,397</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>875</u>
Net Increase in Cash, Cash Equivalents and Pooled Investments	115,272
Cash, Cash Equivalents and Pooled Investments Beginning of Year	<u>302,286</u>
Cash, Cash Equivalents and Pooled Investments End of Year	<u>\$ 417,558</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income	\$ 141,084
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease In Accounts Payable	<u>(26,687)</u>
Net Cash Provided by Operating Activities	<u>\$ 114,397</u>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

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

**ASSETS**

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,331,429
Other County Officials	365,313
Receivables:	
Property Tax:	
Delinquent	1,776
Succeeding Year	18,222,522
Accounts	49,955
Accrued Interest	122
Due From Other Governments	55,165
<b>TOTAL ASSETS</b>	<u>20,026,282</u>

**LIABILITIES**

Accounts Payable	5,140
Salaries and Benefits Payable	6,745
Due To Other Governments	19,586,954
Trusts Payable	403,393
Compensated Absences	24,050
<b>TOTAL LIABILITIES</b>	<u>20,026,282</u>

<b>NET POSITION</b>	<u>\$ 0</u>
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# Notes to Financial Statements

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## Note 1: Summary of Significant Accounting Policies

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

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

Blended Component Units – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

## **Notes to Financial Statements (Continued)**

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### ***Note 1: Summary of Significant Accounting Policies (Continued)***

#### **B. BASIS OF PRESENTATION (CONTINUED)**

The County reports the following major governmental funds:

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

#### **Special Revenue:**

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

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

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

Additionally, the County reports the following funds:

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

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

#### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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 a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Intangibles	\$75,000
Infrastructure	50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and Improvements	40 – 65
Infrastructure	15 – 65
Intangibles	5 – 20
Equipment and Vehicles	2 – 20

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

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

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

Unassigned – All amounts not included in other classifications.

## **Notes to Financial Statements (Continued)**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

#### **E. BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt services function and disbursements in the Cemetery department exceeded the amounts appropriated.

### **Note 2: Cash, Cash Equivalents and Pooled Investments**

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

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

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

## Notes to Financial Statements (Continued)

### 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:		
Secondary Roads	General Basic	\$ 80,000
	Special Revenue:	
Secondary Roads	Rural Services	1,721,761
General Basic	Debt Service	6
Agency:	Agency:	
Assessor Agency	Special Appraisers	<u>204,014</u>
Total		<u>\$2,005,781</u>

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

### Note 4: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,938,091	\$ 320,265	\$ 0	\$ 2,258,356
Construction in Progress	8,976,062	1,018,502	5,191,940	4,802,624
Total Capital Assets Not Being Depreciated	<u>10,914,153</u>	<u>1,338,767</u>	<u>5,191,940</u>	<u>7,060,980</u>
Capital Assets Being Depreciated:				
Buildings	4,573,523	0	0	4,573,523
Machinery and Equipment	9,364,742	381,629	123,244	9,623,127
Infrastructure	43,581,806	5,191,940	0	48,773,746
Total Capital Assets Being Depreciated	<u>57,520,071</u>	<u>5,573,569</u>	<u>123,244</u>	<u>62,970,396</u>
Less Accumulated Depreciation For:				
Buildings	1,239,153	85,497	0	1,324,650
Machinery and Equipment	6,794,792	513,790	90,408	7,218,174
Infrastructure	17,758,242	1,063,634	0	18,821,876
Total Accumulated Depreciation	<u>25,792,187</u>	<u>1,662,921</u>	<u>90,408</u>	<u>27,364,700</u>
Total Capital Assets Being Depreciated, Net	<u>31,727,884</u>	<u>3,910,648</u>	<u>32,836</u>	<u>35,605,696</u>
Governmental Activities Capital Assets, Net	<u>\$42,642,037</u>	<u>\$5,249,415</u>	<u>\$5,224,776</u>	<u>\$42,666,676</u>

## Notes to Financial Statements (Continued)

### Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 115,689
Physical Health and Social Services	1,498
Mental Health	10,115
County Environment and Education	21,608
Roads and Transportation	1,504,916
Administration	9,095
	<hr/>
Total Depreciation Expense – Governmental Activities	<u>\$1,662,921</u>

### Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 3,640</u>
Total for Governmental Funds		<u>\$ 3,640</u>
Agency:		
Agricultural Extension	Collections	\$ 204,081
Assessor		494,972
Schools		11,944,198
Community Colleges		765,050
Corporations		4,825,718
Auto License and Use Tax		504,385
All Others		848,550
		<hr/>
Total for Agency Funds		<u>\$19,586,954</u>

### Note 6: Changes in Long-Term Liabilities

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

	Compensated Absences	General Obligation Bonds	Installment Purchase Agreement	Total
Balance Beginning of Year	\$391,569	\$ 0	\$ 0	\$391,569
Increases	453,138	44,599	320,265	818,002
Decreases	391,569	44,000	0	435,569
	<hr/>			
Balance End of Year	\$453,138	\$ 599	\$320,265	\$774,002
	<hr/>			
Due Within One Year	\$453,138	\$ 0	\$ 0	\$453,138
	<hr/>			

## **Notes to Financial Statements (Continued)**

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

#### General Obligation Bonds

During the fiscal year ended June 30, 2014, the County issued \$86,000 of General Obligation Sewer Improvement Bonds. The bonds were issued to provide funds to pay costs of improvements to the sanitary sewer treatment facilities at the Prairie View Residential Care Facility. Semiannual interest payments are required at a rate of 1.75% commencing on December 1, 2014. During the current year, the County made its initial draw of \$44,599, subject to a \$430 initiation fee that was withheld. The total principal paid on the bonds for the current year was \$44,000 and the total amount of principal and fees outstanding is \$599 at June 30, 2014.

#### Installment Purchase Agreement

During the fiscal year ended June 30, 2014, the County entered into an agreement to purchase property for \$320,265. Interest will accrue at 2.25% and will be paid when the agreement is fulfilled.

### **Note 7: Closure and Postclosure Care Costs**

Fayette County is a member of the Fayette County Solid Waste Management Commission. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Commission is to provide for the economic disposal and or recycling of all solid waste produced or generated within each member city, town, and the unincorporated portion of Fayette County, comprising the municipalities. In performing its duties, the Commission may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and Federal laws and regulations required the Commission to place a final cover on its landfill site when it stopped accepting waste during the fiscal year ended June 30, 2012, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. State laws require the Commission to submit a postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper postclosure. As of June 30, 2014, the estimated liability associated with postclosure care costs had been determined. Also based on regulations, the financial assurance mechanism has been established.

### **Note 8: Pension and Retirement Benefits**

Fayette County is a member in 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.

## Notes to Financial Statements (Continued)

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### Note 8: Pension and Retirement Benefits (Continued)

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 \$537,252, \$468,239, and \$432,316, respectively, equal to the required contributions for each year.

### Note 9: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 121 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark of Iowa. The dental benefit is administered by Delta Dental of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

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

Annual Required Contribution	\$132,289
Interest on Net OPEB Obligation	9,057
Adjustment to Annual Required Contribution	(18,508)
Annual OPEB Cost	<u>122,838</u>
Contributions Made	<u>(9,808)</u>
Increase in Net OPEB Obligation	113,030
Net OPEB Obligation – Beginning of Year	<u>316,639</u>
Net OPEB Obligation – End of the Year	<u><u>\$429,669</u></u>

## Notes to Financial Statements (Continued)

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### Note 9: Other Postemployment Benefits (OPEB) (Continued)

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

For the year ended June 30, 2014, the County contributed \$9,808 to the medical plan. Plan members receiving benefits contributed \$19,617, or 67% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$108,673	8.99%	\$211,722
2013	\$111,818	6.17%	\$316,639
2014	\$122,838	7.98%	\$429,669

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$915,735 with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$915,735. The covered payroll (annual payroll of active employees covered by the plan) was \$4,781,225, and the ratio of the UAAL to the covered payroll was 19.15%. As of June 30, 2014, there were no trust fund assets.

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

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

## **Notes to Financial Statements (Continued)**

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### ***Note 9: Other Postemployment Benefits (OPEB) (Continued)***

As of the July 1, 2011 actuarial valuation date, the Entry Age Actuarial Cost method was used. The actuarial assumptions included 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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

Projected claim costs of the medical plan are \$631 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

### ***Note 10: Risk Management***

Fayette County is a member of the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (pool) is a local government risk-sharing pool whose members include ten counties throughout the State of Iowa. The pool was formed July 1, 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other the pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverage is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2014, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$8,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustment expenses. At June 30, 2014, 2013, and 2012 the risk pool reported a surplus of assets over liabilities.

## **Notes to Financial Statements (Continued)**

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### ***Note 10: Risk Management (Continued)***

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2014, settled claims have not exceeded the risk pool reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the pool for the year ended June 30, 2014 were \$524,217.

Initial membership into the pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Fayette County commenced July 1, 1987 and is subject to renewal every three years. 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.

The County also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for employees blanket bond claims in excess of \$20,000 per employee, with the exception of the Treasurer which is in excess of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

### ***Note 11: Employee Health Insurance Plan***

The Internal Service, Employee Group Health Fund, was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administrated through a Service Agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$1,404,470.

## **Notes to Financial Statements (Continued)**

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### **Note 11: Employee Health Insurance Plan (Continued)**

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$23,746, which is for incurred but not reported (IBNR) and reported but not paid claims. The amount of claims incurred but not reported is based on actuarial estimates of the amount necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims to be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 50,065
Incurred claims (including claims incurred but not reported at June 30, 2014)	373,229
Payments on claims during fiscal year	<u>399,548</u>
Unpaid claims end of year	<u>\$ 23,746</u>

### **Note 12: Commitments and Contingencies**

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

### **Note 13: Related Party Transactions**

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

### **Note 14: Construction Commitment**

The County has entered into contracts totaling \$5,388,512 for roadway and other projects. As of June 30, 2014 contract costs of \$4,802,624 on the projects have been incurred. The balance of \$585,888 remaining on the contracts at June 30, 2014 will be paid as work on the projects progress.

## **Notes to Financial Statements (Continued)**

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### **Note 15: Prospective Accounting Change**

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

### **Note 16: Subsequent Event**

Management evaluated subsequent events through March 30, 2015, the date the financial statements were available to be issued.

**FAYETTE COUNTY**  
West Union, Iowa

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

	Actual	Less Funds Not Required to be		Budgeted Amounts		Final to Net
		Budgeted	Net	Original	Final	Variance
<b>RECEIPTS:</b>						
Property and Other County Tax	\$7,824,750	\$ 0	\$ 7,824,750	\$ 7,913,361	\$ 7,858,996	\$ (34,246)
Interest and Penalty on Property Tax	65,114	0	65,114	57,410	59,210	5,904
Intergovernmental	5,324,998	0	5,324,998	5,190,085	5,213,012	111,986
Licenses and Permits	28,070	0	28,070	19,200	20,150	7,920
Charges for Service	840,423	0	840,423	662,950	796,185	44,238
Use of Money and Property	145,786	0	145,786	45,790	68,684	77,102
Miscellaneous	425,939	0	425,939	483,422	511,323	(85,384)
Total Receipts	14,655,080	0	14,655,080	14,372,218	14,527,560	127,520
<b>DISBURSEMENTS:</b>						
Public Safety and Legal Services	3,348,750	0	3,348,750	3,210,656	3,433,787	85,037
Physical Health and Social Services	466,325	0	466,325	541,933	557,665	91,340
Mental Health	1,157,355	0	1,157,355	1,294,972	1,293,736	136,381
County Environment and Education	1,419,282	0	1,419,282	1,541,149	1,543,487	124,205
Roads and Transportation	5,246,350	0	5,246,350	5,223,530	5,253,236	6,886
Governmental Services to Residents	570,816	0	570,816	740,563	734,263	163,447
Administration	1,277,965	0	1,277,965	1,422,542	1,418,027	140,062
Non-Program	253,309	0	253,309	169,600	272,531	19,222
Debt Service	430	0	430	0	0	(430)
Capital Projects	474,636	0	474,636	628,850	602,850	128,214
Total Disbursements	14,215,218	0	14,215,218	14,773,795	15,109,582	894,364
Excess (Deficiency) of Receipts Over (Under) Disbursements	439,862	0	439,862	(401,577)	(582,022)	1,021,884
Other Financing Sources, Net	44,599	0	44,599	0	0	44,599
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	484,461	0	484,461	(401,577)	(582,022)	1,066,483
Balance Beginning of Year	4,227,082	6,336	4,220,746	3,435,558	4,220,746	0
Balance End of Year	\$4,711,543	\$6,336	\$4,705,207	\$ 3,033,981	\$ 3,638,724	\$1,066,483

See Accompanying Independent Auditor's Report

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,655,080	\$ 107,232	\$14,762,312
Expenditures	14,215,218	82,989	14,298,207
Net	439,862	24,243	464,105
Other Financing Sources	44,599	320,265	364,864
Beginning Fund Balances	4,227,082	1,090,473	5,317,555
Increase in Reserve For Inventories	0	280,619	280,619
Ending Fund Balances	\$ 4,711,543	\$1,715,600	\$ 6,427,143

See Accompanying Independent Auditor's Report

**FAYETTE COUNTY**  
**West Union, Iowa**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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 \$335,787. The final budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function and disbursements in the Cemetery department exceeded amounts appropriated.

See Accompanying Independent Auditor's Report

**FAYETTE COUNTY**  
**West Union, Iowa**

REQUIRED SUPPLEMENTARY INFORMATION

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

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, 2008	\$0	\$448	\$448	0%	\$5,058	8.85%
2011	July 1, 2008	\$0	\$448	\$448	0%	\$4,942	9.06%
2012	July 1, 2011	\$0	\$950	\$950	0%	\$4,211	22.57%
2013	July 1, 2011	\$0	\$955	\$955	0%	\$4,327	22.08%
2014	July 1, 2011	\$0	\$916	\$916	0%	\$4,781	19.15%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

**FAYETTE COUNTY**  
West Union, Iowa

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2014

	Special Revenue	
	Resource Enhancement and Protection	County Recorder's Records Management
<b>ASSETS</b>		
Cash, Cash Equivalents and Pooled Investments	\$79,773	\$32,715
Receivables:		
Accounts	0	329
Accrued Interest	33	11
<b>TOTAL ASSETS</b>	<b>\$79,806</b>	<b>\$33,055</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 120	\$ 0
Fund Balances:		
Reserved For:		
Drainage	0	0
Other Purposes	79,686	33,055
Total Fund Balances	79,686	33,055
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$79,806</b>	<b>\$33,055</b>

Schedule 1

Special Revenue					
County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Total
\$677	\$3,087	\$12,820	\$6,336	\$152,974	\$288,382
0	0	0	0	140	469
0	1	2	0	26	73
\$677	\$3,088	\$12,822	\$6,336	\$153,140	\$288,924
\$ 0	\$ 30	\$ 0	\$ 0	\$ 3,384	\$ 3,534
0	0	0	6,336	0	6,336
677	3,058	12,822	0	149,756	279,054
677	3,058	12,822	6,336	149,756	285,390
\$677	\$3,088	\$12,822	\$6,336	\$153,140	\$288,924

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	Special Revenue	
	Resource Enhancement and Protection	County's Recorder's Records Management
<b>REVENUES:</b>		
Intergovernmental	\$16,468	\$ 0
Charges for Service	0	3,516
Use of Money and Property	403	155
Miscellaneous	0	0
Total Revenues	16,871	3,671
<b>EXPENDITURES:</b>		
Operating:		
Public Safety and Legal Services	0	0
County Environment and Education	0	0
Governmental Services to Residents	0	1,964
Capital Projects	13,065	0
Total Expenditures	13,065	1,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,806	1,707
Other Financing Uses		
Transfers Out	0	0
Change in Fund Balances	3,806	1,707
Fund Balances Beginning of Year	75,880	31,348
Fund Balances End of Year	\$79,686	\$33,055

See Accompanying Independent Auditor's Report

Special Revenue

County Recorder's Electronic Transaction Fee	Attorney's Forfeiture	Sheriff's Forfeiture	Drainage Districts	Gilbertson	Debt Service	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,786	\$0	\$ 18,254
0	0	0	0	11,422	0	14,938
1	6	25	0	42,871	0	43,461
0	441	0	0	2,043	0	2,484
1	447	25	0	58,122	0	79,137
0	360	0	0	0	0	360
0	0	0	0	32,513	0	32,513
0	0	0	0	0	0	1,964
0	0	0	0	1,379	0	14,444
0	360	0	0	33,892	0	49,281
1	87	25	0	24,230	0	29,856
0	0	0	0	0	(6)	(6)
1	87	25	0	24,230	(6)	29,850
676	2,971	12,797	6,336	125,526	6	255,540
\$677	\$3,058	\$12,822	\$6,336	\$149,756	\$0	\$285,390

**FAYETTE COUNTY**  
**West Union, Iowa**

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 3,167	\$121,788	\$ 188,093
Other County Officials	365,313	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	16	32	939
Succeeding Year	0	200,898	405,216	11,755,166
Accounts	408	0	0	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$365,721</b>	<b>\$204,081</b>	<b>\$527,036</b>	<b>\$11,944,198</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 1,787	\$ 0
Salaries and Benefits Payable	0	0	6,227	0
Due To Other Governments	1,034	204,081	494,972	11,944,198
Trusts Payable	364,687	0	0	0
Compensated Absences	0	0	24,050	0
<b>TOTAL LIABILITIES</b>	<b>\$365,721</b>	<b>\$204,081</b>	<b>\$527,036</b>	<b>\$11,944,198</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 11,838	\$ 61,668	\$ 5,857	\$20,185	\$504,385	\$414,448	\$ 1,331,429
0	0	0	0	0	0	365,313
59	719	11	0	0	0	1,776
753,153	4,763,331	342,046	0	0	2,712	18,222,522
0	0	0	0	0	49,547	49,955
0	0	0	0	0	122	122
0	0	0	0	0	55,165	55,165
<u>\$765,050</u>	<u>\$4,825,718</u>	<u>\$347,914</u>	<u>\$20,185</u>	<u>\$504,385</u>	<u>\$521,994</u>	<u>\$20,026,282</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,353	\$ 5,140
0	0	0	0	0	518	6,745
765,050	4,825,718	347,914	20,185	504,385	479,417	19,586,954
0	0	0	0	0	38,706	403,393
0	0	0	0	0	0	24,050
<u>\$765,050</u>	<u>\$4,825,718</u>	<u>\$347,914</u>	<u>\$20,185</u>	<u>\$504,385</u>	<u>\$521,994</u>	<u>\$20,026,282</u>

**FAYETTE COUNTY**  
West Union, Iowa

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

<b>ASSETS AND LIABILITIES</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances Beginning of Year	\$361,253	\$198,454	\$302,696	\$11,744,347
Additions:				
Property and Other County Tax	0	205,708	414,971	12,037,219
E911 Surcharge	0	0	0	0
State Tax Credits	0	13,135	26,639	779,559
Drivers License Fees	0	0	0	0
Office Fees and Collections	543,598	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	191,001	0	0	0
Miscellaneous	0	0	356	0
Total Additions	734,599	218,843	441,966	12,816,778
Deductions:				
Agency Remittances:				
To Other Funds	313,971	0	0	0
To Other Governments	214,899	213,216	421,640	12,616,927
Trusts Paid Out	201,261	0	0	0
Total Deductions	730,131	213,216	421,640	12,616,927
Other Financing Sources (Uses)				
Transfers In (Out)	0	0	204,014	0
Balances End of Year	\$365,721	\$204,081	\$527,036	\$11,944,198

See Accompanying Independent Auditor's Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$746,701	\$4,710,826	\$343,533	\$ 12,556	\$ 415,124	\$ 443,923	\$19,279,413
771,359	4,878,949	350,912	0	0	2,773	18,661,891
0	0	0	0	0	108,776	108,776
49,124	318,988	21,565	0	0	178	1,209,188
0	0	0	0	115,445	0	115,445
0	0	0	0	0	0	543,598
0	0	0	0	0	3,516	3,516
0	0	0	0	6,038,917	0	6,038,917
0	0	0	111,050	0	0	111,050
0	0	0	0	0	341,526	532,527
0	0	0	0	0	521,044	521,400
820,483	5,197,937	372,477	111,050	6,154,362	977,813	27,846,308
0	0	0	0	225,294	0	539,265
802,134	5,083,045	368,096	103,421	5,839,807	372,177	26,035,362
0	0	0	0	0	323,551	524,812
802,134	5,083,045	368,096	103,421	6,065,101	695,728	27,099,439
0	0	0	0	0	(204,014)	0
\$765,050	\$4,825,718	\$347,914	\$ 20,185	\$ 504,385	\$ 521,994	\$20,026,282

**FAYETTE COUNTY**  
**West Union, Iowa**

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
<b>Revenues:</b>				
Property and Other County Tax	\$ 7,877,625	\$ 7,638,324	\$ 7,638,053	\$ 7,449,665
Interest and Penalty on Property Tax	65,290	68,347	79,181	77,020
Intergovernmental	5,356,765	5,747,484	6,611,574	7,044,867
Licenses and Permits	27,220	60,860	38,130	21,130
Charges For Service	899,072	823,329	836,287	953,530
Use of Money and Property	150,572	88,440	79,529	58,389
Miscellaneous	385,768	524,710	581,623	526,382
	<hr/>			
Total	\$14,762,312	\$14,951,494	\$15,864,377	\$16,130,983
<hr/>				
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	\$ 3,366,963	\$ 3,116,842	\$ 2,869,061	\$ 2,912,807
Physical Health and Social Services	443,093	439,732	418,573	452,439
Mental Health	1,153,942	1,319,709	2,472,476	2,387,124
County Environment and Education	1,416,878	1,406,019	1,421,442	1,360,708
Roads and Transportation	5,172,773	5,323,518	4,480,177	6,122,943
Governmental Services to Residents	571,659	554,594	535,869	496,688
Administration	1,273,814	1,150,990	1,121,594	915,361
Non-Program	269,764	34,329	20,893	90,584
Debt Service	430	359,275	352,147	353,253
Capital Projects	628,891	853,751	866,714	884,002
	<hr/>			
Total	\$14,298,207	\$14,558,759	\$14,558,946	\$15,975,909
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See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 7,087,274	\$ 6,786,120	\$ 6,547,515	\$ 6,791,909	\$ 6,114,765	\$ 5,838,552
79,109	61,403	61,756	58,178	56,928	54,595
7,136,294	7,228,246	6,381,634	5,704,492	6,210,061	6,440,864
20,055	21,738	12,138	12,960	13,465	11,020
946,047	1,100,754	890,214	1,010,667	770,110	721,585
106,718	119,110	113,567	112,720	85,904	44,624
167,079	643,271	293,339	698,791	625,162	380,778
<u>\$15,542,576</u>	<u>\$15,960,642</u>	<u>\$14,300,163</u>	<u>\$14,389,717</u>	<u>\$13,876,395</u>	<u>\$13,492,018</u>
\$ 2,846,569	\$ 2,671,416	\$ 2,614,895	\$ 2,534,123	\$ 2,521,531	\$ 2,383,632
463,331	465,766	441,607	465,590	500,427	492,420
2,808,937	2,625,384	3,008,942	2,601,046	2,084,214	2,119,523
1,312,631	1,522,890	1,178,754	1,184,908	1,193,039	1,163,043
5,057,674	5,522,067	4,945,001	4,264,820	4,757,452	4,715,512
551,755	526,686	481,348	447,741	423,279	466,890
1,004,399	1,111,843	1,062,389	1,050,785	1,007,943	902,783
18,975	5,164	5,740	5,112	5,344	5,774
1,710,900	359,505	355,425	350,760	350,705	350,199
725,793	1,060,787	993,184	579,272	1,664,080	947,247
<u>\$16,500,964</u>	<u>\$15,871,508</u>	<u>\$15,087,285</u>	<u>\$13,484,157</u>	<u>\$14,508,014</u>	<u>\$13,547,023</u>



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

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To the Officials of Fayette County:  
West Union, Iowa

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

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

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

### **Fayette County, Iowa's Response to Findings**

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

### **Purpose of This Report**

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

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

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 30, 2015

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings  
Year Ended June 30, 2014

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties

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

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

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

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

*Cause* – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

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

*Condition* – Receipts from the Iowa Finance Authority for general obligation debt proceeds were incorrectly coded. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

*Effect* – The intergovernmental revenues were overstated, while proceeds from debt were understated. The accounts receivable and accounts payable listings were not correct. The capital asset listing was not correct.

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2014

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

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

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

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**FAYETTE COUNTY**  
**West Union, Iowa**

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting**

1. **Certified Budget** –Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function. Disbursements in the Cemetery department exceeded the amount appropriated prior to the February 18, 2014 additional appropriation.

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

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

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

***Conclusion*** – Response accepted.

2. **Questionable Expenditures** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Madonna Baumler, Treasurer’s Office</b>		
Baumler Implement Company, Inc. Partially Owned by Madonna’s Spouse	Parts and Repairs for Secondary Road Vehicles	\$ 25,617
<b>Rod Marlatt, Conservation Executive Director</b>		
Fauser Energy Resources Owned by Rod’s Brother In Law	Diesel Fuel, Propane, Oil	298,040
<b>Lori Moellers, Auditor</b>		
Theresa Moellers, Mother In Law	Election Worker	149

**FAYETTE COUNTY**  
**West Union, Iowa**

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2014**

**Other Findings Related to Required Statutory Reporting (Continued)**

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Theresa Moellers do not appear to represent conflicts of interest as total transactions were less than \$1,500.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Fauser Energy Resources do not appear to represent conflicts of interest as the goods and services purchased from Fauser Energy Resources were obtained through contracts that were competitively bid, in writing, publicly invited and opened.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Baumler Implement Company, Inc. do not appear to represent conflicts of interest as Madonna Baumler, was not directly involved in acquiring the services from Baumler Implement Company, Inc.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits And Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. **Resource Enhancement And Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Economic Development** – During the year ended June 30, 2014, the County paid \$75,002 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
10. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

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

FAYETTE COUNTY  
West Union, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting (Continued)

11. **Special Appraiser's Transfer** – The County did not transfer funds from the Special Appraiser Fund to the Assessment Expense Fund as required by House File 254.

*Recommendation* – House File 254 required the County to transfer any remaining funds from the Special Appraiser's Fund to the Assessment Expense fund by July 10, 2012. The County should transfer the remaining funds immediately.

*Response* – This transfer was completed July 30, 2013.

*Conclusion* – Response accepted.

12. **Installment Purchase Agreement** – During the year ended June 30, 2014, the County entered into an installment purchase agreement for the purchase of land for conservation. However, a public hearing was not held prior to the authorization of this installment purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

*Recommendation* – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of an installment purchase agreement in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

*Response* – We will consult legal counsel and this will be complied with in the future.

*Conclusion* – Response accepted.