

LUCAS COUNTY

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

JUNE 30, 2014

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LUCAS COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Davis	Board of Supervisors	Jan. 2015
Steve Laing	Board of Supervisors	Jan. 2017
Dennis Smith	Board of Supervisors	Jan. 2017
Julie Masters	County Auditor	Jan. 2017
Phyllis Baker	County Treasurer	Jan. 2015
Laurie Hunter	County Recorder	Jan. 2015
Jim Baker	County Sheriff (Retired October 2013)	
Brett Tharp	County Sheriff (Appointed November 2013)	Jan. 2015
Paul Goldsmith	County Attorney	Jan. 2015
Tim McGee	County Assessor	Jan. 2016

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

To the Officials of Lucas County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 12 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

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

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

Other Reporting Required by Government Auditing Standards

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

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
March 18, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2014 FINANCIAL HIGHLIGHTS

- The County's Governmental fund revenues increased \$118,892 from fiscal year 2013 to 2014. Property and other county tax increased \$26,919, intergovernmental revenues increased \$247,309 and license and permits increased by \$490. Interest and penalty on property tax, charges for service and use of money and property decreased a total of \$18,921 and other miscellaneous revenues decreased by \$136,905.
- The County's Governmental fund expenditures decreased \$114,599 from fiscal 2013 to fiscal 2014. Public Safety and Legal Services increased \$45,576, Physical Health and Social Services decreased \$20468, Mental Health decreased \$66,334, County environment and education increased \$45,610, Roads and Transportation decreased \$181,389, Governmental Services to residents increased \$3,466, and Administration decreased \$44,100. Debt Service decreased \$37,785 and Capital Projects increased \$140,825.
- The County's Governmental Activities net position increased \$574,525 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 Lucas 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 Lucas County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lucas 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.

Supplementary Information provides detailed information about the non-major 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, liabilities, and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the 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 periods.

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

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that is 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) Proprietary funds account for the County's employee group health insurance plan, which is an Internal Service Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County functions.

The required financial statements for proprietary funds include a statement of fund 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 Auto license and use tax, emergency management services and the County Assessor, to name a few.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental activities.

### Net position of Governmental Activities

	June 30	
	2013	2014
Current and other assets	\$ 6,861,288	7,895,602
Capital assets	\$11,024,491	10,572,528
Total Assets	<u>\$17,885,779</u>	<u>18,468,130</u>
Long-Term liabilities	\$1,346,529	1,313,604
Other Liabilities	\$ 475,082	221,833
Total liabilities	<u>\$1,821,611</u>	<u>1,535,437</u>
Deferred Inflows of Resources	<u>\$ 3,429,000</u>	<u>3,723,000</u>
Net position:		
Net investment in capital assets	\$9,947,403	9,682,885
Restricted	\$2,114,807	2,785,233
Unrestricted	\$ 572,958	741,575
Total net position	<u>\$12,635,168</u>	<u>13,209,693</u>

Net position of Lucas County's governmental activities increased by approximately 4.5% (\$13.2 million compared to \$12.6 million). The largest portion of the County's net position is the net investment in capital assets net of related debt (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—is reported at \$741,575 at June 30, 2014.

Changes in Net position of Governmental Activities

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	Year Ended June 30	
	2013	2014
Revenues:		
Program Revenues:		
Charges for service	\$ 564,989	437,470
Operating grants, contributions & restricted interest	2,524,107	2,700,081
Capital grants and contributions	23,450	52,559
General Revenues:		
Property tax	3,393,405	3,413,463
Penalty and interest on property tax	45,461	14,264
State Tax Credits	182,563	204,943
Local Option Sales and Services Tax	328,276	331,390
Payments in lieu of taxes	4,364	4,732
Unrestricted investment earnings	10,436	8,246
Other general revenues	<u>69,532</u>	<u>50,031</u>
Total Revenues	<u>\$7,146,583</u>	<u>7,217,179</u>
Program Expenses:		
Public Safety and Legal Services	977,286	1,020,625
Physical health and social services	676,971	646,402
Mental Health	383,267	316,087
County environment and education	214,415	246,984
Roads and transportation	3,295,272	3,135,835
Government services to residents	285,294	293,132
Administration	916,891	948,870
Interest on long term debt	<u>58,211</u>	<u>34,719</u>
Total Expenses	<u>6,807,607</u>	<u>6,642,654</u>
Change in Net position	338,976	574,525
Net position beginning of year	<u>12,296,192</u>	<u>12,635,168</u>
Net position end of year	<u>12,635,168</u>	<u>13,209,693</u>

The County decreased Countywide levy rates in FY2014 by \$.33128 per \$1000.00 valuation. This decrease was due to an increase in valuations. Property tax revenue increased from 2013 by \$20,058.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Lucas County completed the year, its governmental funds reported a combined fund balance of \$3,689,174, which is up \$1,055,984 from a year ago. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$312,906 over the prior year. Property tax, intergovernmental revenues and license and permits increased \$362,619 while interest and penalty on property tax, charges for service, Use of money and property, and misc. revenues decreased \$49,713. General fund expenditures increased \$35,970. Operating expenditures for Public Safety and Legal Services, County Environment and Education, and Government Services to Residents increased by \$116,207 while Physical Health and Social Services, Administration costs, and Capital Projects decreased \$80,237.
- Mental Health Fund revenues decreased \$349,979 from the prior year. Property tax revenues, Intergovernmental and misc. revenues all decreased. Expenditures totaled \$315,517, a decrease of \$66,334 from the prior year. This is due to regionalization of the Mental Health services by the state. Lucas County is now part of the County Rural Offices of Social Services (CROSS) region consisting of Ringgold, Decatur, Clarke, Wayne, Lucas and Monroe counties. The Mental Health fund balance at the end of the year increased \$158,155 from the prior year.
- The Rural Services Fund showed an increase in revenue of \$20,336. While property and other county taxes, intergovernmental revenues, and charges for service revenues were up \$32,022, miscellaneous revenues decreased by \$11,686. Expenditures decreased \$47,994. Physical Health and Social Services, County Environment and Education, and Roads and Transportation costs increased \$18,177, while Public Safety and Legal Services, Government Services to Residents and Administration costs decreased \$66,171. The Rural Services Fund balance increased by \$29,903 from the prior year.
- Secondary Roads Fund revenues increased by \$175,359 for the year. An increase of \$264,540 in intergovernmental revenue and license and permits received was offset slightly by a decrease in miscellaneous revenues of \$89,181. Expenditures decreased over all by 76,263. Roads and transportation costs decreased by \$185,719, while Capital projects expenditures increased by \$109,456. The ending fund balance showed an increase of \$374,648 from last year.

## **BUDGETARY HIGHLIGHTS**

During the course of the year, Lucas County amended the budget one (1) time in May of 2014 Revenue changes were due mainly to FEMA money received, medicaid reimbursements, restitution, workers comp and election reimbursements and Debt Service for Courthouse repairs. Disbursements increased due to repairs to law center from lightning strike, Law Enforcement Center project, law library, extra help, restitution and medical examiner fees. Also youth guidance to pay remainder of juvenile detention bill, ADLM for unemployment costs, software maintenance and mileage for local health, Mental Health costs for CMI and CROSS administration fees, CVP&D, pioneer cemetery carryover and FEMA. Utility cost for the courthouse and workers comp. also increased. Beginning fund balance increased due to upcoming construction on county bridge projects.

Disbursements did not exceed the amount budgeted in any County function. However, disbursements did exceed the amount appropriated in the medical examiner department prior to the amendment of the appropriations and disbursements in the non-departmental department exceeded the amount appropriated at year end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

	Balance	
	June 30, 2013	June 30, 2014
Governmental activities		
Capital assets not being depreciated:		
Land	\$ 859,093	\$859,093
Construction in progress	<u>0</u>	<u>69,157</u>
Total capital assets not being depreciated	<u>859,093</u>	<u>928,250</u>
Capital assets being depreciated:		
Buildings	2,622,174	2,622,174
Machinery and equipment	4,015,070	3,755,471
Infrastructure	<u>8,713,797</u>	<u>8,713,797</u>
Total capital assets being depreciated	<u>15,351,041</u>	<u>15,091,441</u>
Less accumulated depreciation for:		
Buildings	332,696	392,568
Machinery and equipment	2,317,480	2,198,370
Infrastructure	<u>2,535,467</u>	<u>2,856,226</u>
Total accumulated depreciation	<u>5,185,643</u>	<u>5,447,164</u>
Total capital assets being depreciated, net	<u>10,165,398</u>	<u>9,644,278</u>
Governmental activities capital assets, net	<u>11,024,491</u>	<u>10,572,528</u>

At June 30, 2014, Lucas County had approximately \$10.57 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$673,696 in FY 2014 and total accumulated depreciation of \$5,447,164 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## **Long-Term Liabilities**

At June 30, 2014 Lucas County had \$173,961 in compensated absences as compared to \$184,052 on June 30, 2013, and a decrease of \$50,740 in General Obligation Notes. At June 30, 2014 the County had bank loan indebtedness in the amount of \$889,643 payable through the year ending June 30, 2019 for the Law Enforcement Center Project. During the year ended June 30, 2014 the County issued \$200,000 in general obligation county purpose bonds payable through the year ending June 30, 2017 to be used for repairs and improvements to the County courthouse and for acquiring and/or equipping law enforcement vehicles. 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**

Lucas County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and the fees that will be charged for various County activities. In an ongoing effort to maintain County services with the least possible increase to tax levies, the Lucas County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances, and reducing funding to non-mandated programs to provide essential services for the citizens of Lucas County.

Budgeted disbursements in the FY 2015 operating budget are \$7,841,774 a decrease of just less than 6% from the final FY 2014 budget. Lucas County has spent down fund balances to finance programs currently offered due to the effect inflation has on program costs. In FY2015 taxes were raised to help increase the beginning fund balances. Costs related to Public Safety and Legal Services, County Environment and Education, and Roads and Transportation increased while Physical Health and Social Services, Mental Health, Government Services to Residents, Administration, Debt Service, and Capital Projects decreased for a \$492,314 decrease overall. Lucas County added no major programs to the FY 2015 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lucas 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 Lucas Auditor's Office, 916 Braden Avenue, Chariton, Iowa.

## Basic Financial Statements

LUCAS COUNTY  
STATEMENT OF NET POSITION  
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,691,610
Receivables:	
Property tax:	
Delinquent	11,420
Succeeding year	3,723,000
Interest and penalty on property tax	43,495
Accounts	26,235
Accrued interest	713
Due from other governments	271,516
Inventories	127,613
Capital assets, net of accumulated depreciation (note 4)	<u>10,572,528</u>
 Total assets	 <u>18,468,130</u>
Liabilities	
Accounts payable	125,050
Due to other governments (note 5)	35,791
Salaries and benefits payable	42,114
Accrued interest payable	18,878
Long-term liabilities (note 6):	
Portion due or payable within one year:	
General obligation bonds payable	64,724
Bank loan payable	170,332
Compensated absences	173,961
Portion due or payable after one year:	
General obligation bonds payable	135,276
Bank loan payable	719,311
Net OPEB liability	<u>50,000</u>
 Total liabilities	 <u>1,535,437</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>3,723,000</u>

LUCAS COUNTY  
STATEMENT OF NET POSITION  
June 30, 2014

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 9,682,885
Restricted for:	
Supplemental levy purposes	61,920
Cemetery levy purposes	6,362
Mental health purposes	207,557
Rural services purposes	38,618
Secondary roads purposes	1,994,571
Conservation purposes	60,523
Prisoner room and board purposes	17,271
Debt service	7,798
Capital projects	32,726
Other purposes	357,887
Unrestricted	<u>741,575</u>
Total net position	<u>\$ 13,209,693</u>

See notes to financial statements.

LUCAS COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,020,625	\$ 125,826	\$ 30,760	\$ -	\$ (864,039)
Physical health and social services	646,402	7,227	447,230	-	(191,945)
Mental health	316,087	40	54,306	-	(261,741)
County environment and education	246,984	14,615	44,429	-	(187,940)
Roads and transportation	3,135,835	127,580	2,123,356	52,559	(832,340)
Government services to residents	293,132	151,890	-	-	(141,242)
Administration	948,870	10,292	-	-	(938,578)
Interest on long-term debt	34,719	-	-	-	(34,719)
<b>Total</b>	<b>\$ 6,642,654</b>	<b>\$ 437,470</b>	<b>\$ 2,700,081</b>	<b>\$ 52,559</b>	<b>(3,452,544)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,364,831
Debt service					48,632
Penalty and interest on property tax					14,264
State tax credits					204,943
Payments in lieu of taxes					4,732
Local option sales and services tax					331,390
Unrestricted investment earnings					8,246
Miscellaneous					50,031
<b>Total general revenues</b>					<b>4,027,069</b>
Change in net position					574,525
Net position beginning of year					12,635,168
Net position end of year					<b>\$ 13,209,693</b>

See notes to financial statements.

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LUCAS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 687,301	\$ 218,650	\$ 80,379	\$ 1,900,430
Receivables:				
Property tax:				
Delinquent	8,463	1,693	1,054	-
Succeeding year	2,077,000	387,000	1,036,000	-
Interest and penalty on property tax	43,495	-	-	-
Accounts	22,229	-	-	3,851
Accrued interest	712	-	-	-
Due from other governments	18,521	31	884	197,540
Inventories	-	-	-	127,613
Total assets	\$ 2,857,721	\$ 607,374	\$ 1,118,317	\$ 2,229,434

<u>Nonmajor</u>	<u>Total</u>
\$ 575,715	\$ 3,462,475
210	11,420
223,000	3,723,000
-	43,495
155	26,235
1	713
54,540	271,516
-	127,613
<u>\$ 853,621</u>	<u>\$ 7,666,467</u>

LUCAS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,489	\$ 7,001	\$ 1,611	\$ 85,372
Due to other governments (note 5)	17,247	-	901	17,643
Salaries and benefits payable	18,400	-	4,937	18,777
Total liabilities	62,136	7,001	7,449	121,792
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,077,000	387,000	1,036,000	-
Other	51,958	1,693	1,054	-
Total deferred inflows of resources	2,128,958	388,693	1,037,054	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	127,613
Restricted for:				
Supplemental levy purposes	83,858	-	33,588	-
Cemetery levy purposes	6,362	-	-	-
Mental health purposes	-	211,680	-	-
Rural services purposes	-	-	40,226	-
Secondary roads purposes	-	-	-	1,980,029
Prisoner room and board purposes	17,271	-	-	-
Conservation purposes	4,623	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	554,513	-	-	-
Total fund balances	666,627	211,680	73,814	2,107,642
Total liabilities, deferred inflows of resources and fund balances	\$ 2,857,721	\$ 607,374	\$ 1,118,317	\$ 2,229,434

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,000	\$ 121,473
-	35,791
-	42,114
<u>1,000</u>	<u>199,378</u>
223,000	3,723,000
210	54,915
<u>223,210</u>	<u>3,777,915</u>
-	127,613
-	117,446
-	6,362
-	211,680
-	40,226
-	1,980,029
-	17,271
55,900	60,523
8,571	8,571
189,158	189,158
376,039	376,039
(257)	554,256
<u>629,411</u>	<u>3,689,174</u>
<u>\$ 853,621</u>	<u>\$ 7,666,467</u>

## LUCAS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances of governmental funds	\$ 3,689,174
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$16,019,692 and the accumulated depreciation is \$5,447,164.	10,572,528
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	54,915
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	225,558
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(18,878)
Long-term liabilities, including bonds payable, loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,313,604)</u>
Net position of governmental activities	<u>\$ 13,209,693</u>

See notes to financial statements.

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LUCAS COUNTY

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 1,969,542	\$ 393,894	\$ 978,671	\$ -
Interest and penalty on property tax	35,152	-	-	-
Intergovernmental	693,821	79,738	53,933	2,180,481
Licenses and permits	50	-	-	1,245
Charges for service	217,429	-	14,306	-
Use of money and property	8,329	-	-	-
Miscellaneous	40,055	40	14,856	124,050
<b>Total revenues</b>	<b>2,964,378</b>	<b>473,672</b>	<b>1,061,766</b>	<b>2,305,776</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	884,703	-	77,226	-
Physical health and social services	614,512	-	42,000	-
Mental health	-	315,517	-	-
County environment and education	143,735	-	30,869	-
Roads and transportation	-	-	221,890	2,429,772
Government services to residents	267,581	-	3,770	-
Administration	777,272	-	85,543	-
Debt service	-	-	-	-
Capital projects	4,446	-	-	109,456
<b>Total expenditures</b>	<b>2,692,249</b>	<b>315,517</b>	<b>461,298</b>	<b>2,539,228</b>
Excess (deficiency) of revenues over (under) expenditures	272,129	158,155	600,468	(233,452)
<b>Other financing sources (uses):</b>				
Sale of capital assets	350	-	-	-
General obligation bonds issued	-	-	-	-
Interfund transfers in (note 3)	-	-	-	608,100
Interfund transfers out (note 3)	(37,535)	-	(570,565)	-
<b>Total other financing sources (uses)</b>	<b>(37,185)</b>	<b>-</b>	<b>(570,565)</b>	<b>608,100</b>
Net change in fund balances	234,944	158,155	29,903	374,648
Fund balances beginning of year	431,683	53,525	43,911	1,732,994
Fund balances end of year	<u>\$ 666,627</u>	<u>\$ 211,680</u>	<u>\$ 73,814</u>	<u>\$ 2,107,642</u>

See notes to financial statements.

	<u>Nonmajor</u>		<u>Total</u>
\$	405,148	\$	3,747,255
	-		35,152
	15,819		3,023,792
	-		1,295
	1,749		233,484
	7		8,336
	16,369		195,370
	<u>439,092</u>		<u>7,244,684</u>
	6,523		968,452
	-		656,512
	-		315,517
	46,421		221,025
	-		2,651,662
	7,700		279,051
	-		862,815
	265,169		265,169
	54,945		168,847
	<u>380,758</u>		<u>6,389,050</u>
	58,334		855,634
	-		350
	200,000		200,000
	1,405		609,505
	(1,405)		(609,505)
	<u>200,000</u>		<u>200,350</u>
	258,334		1,055,984
	<u>371,077</u>		<u>2,633,190</u>
\$	<u><u>629,411</u></u>	\$	<u><u>3,689,174</u></u>

LUCAS COUNTY

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

Net change in fund balances - total governmental funds \$ 1,055,984

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

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

Capital outlay expenditures	\$ 221,733	
Depreciation expense	<u>(673,696)</u>	(451,963)

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

Property tax	(2,401)	
Other	<u>(25,454)</u>	(27,855)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (200,000)

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. 227,834

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

Compensated absences	10,091	
Net OPEB liability	(5,000)	
Interest on long-term debt	<u>2,616</u>	7,707

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (37,182)

Change in net position of governmental activities \$ 574,525

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>229,135</u>
Liabilities	
Accounts payable	<u>3,577</u>
Fund Net Position	
Unrestricted	\$ <u><u>225,558</u></u>

See notes to financial statements.

## LUCAS COUNTY

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to operating funds	\$ 344,884
Charges to employees and others	<u>37,941</u>
Total operating revenues	<u>382,825</u>
Operating expenses:	
Medical claims	42,513
Insurance premiums	372,209
Administrative fees	<u>5,285</u>
Total operating expenses	<u>420,007</u>
Operating loss	(37,182)
Fund net position beginning of year	<u>262,740</u>
Fund net position end of year	<u>\$ 225,558</u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 344,884
Cash received from employees and others	37,941
Cash payments to suppliers for services	<u>(431,680)</u>
Net cash used by operating activities	(48,855)
Cash and cash equivalents beginning of year	<u>277,990</u>
Cash and cash equivalents end of year	<u><u>\$ 229,135</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (37,182)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in prepaid expenses	518
(Decrease) in accounts payable	<u>(12,191)</u>
Net cash used by operating activities	<u><u>\$ (48,855)</u></u>

See notes to financial statements.

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

Assets	
Cash and pooled investments:	
County Treasurer	\$ 687,207
Other County officials	38,148
Receivables:	
Property tax:	
Delinquent	42,186
Succeeding year	7,519,000
Accounts	7,846
Accrued interest	31
Due from other governments	<u>17,548</u>
 Total assets	 <u><u>\$ 8,311,966</u></u>
 Liabilities	
Accounts payable	\$ 10,296
Salaries and benefits payable	182
Due to other governments (note 5)	8,215,332
Trusts payable	57,446
Compensated absences	<u>28,710</u>
 Total liabilities	 <u><u>\$ 8,311,966</u></u>

See notes to financial statements.

## LUCAS COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### Note 1. Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lucas County Assessor's Conference Board and Lucas County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southeast Iowa Case Management, Chariton Valley Planning and Development, Inc., Ten Fifteen Transit Agency, Southeast Iowa Drug Task Force, Lucas County Law Enforcement Center, Lucas County Solid Waste Management Commission, South Central Iowa Solid Waste Agency, ADLM Counties Environmental Public Health Agency, and ADLM Emergency Management Commission.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The 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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Asset Class	Amount
Intangibles	\$ 100,000
Infrastructure	65,000
Land, buildings and improvements	30,000
Equipment and vehicles	10,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Infrastructure	4-50
Equipment and vehicles	3-20

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned – All amounts not included in preceding classifications.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted in any County function. Disbursements in the medical examiner department exceeded the amount appropriated prior to the amendment of the appropriations and disbursements in the non-departmental department exceeded the amount appropriated at year end.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,040,503 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 37,535
	Special Revenue: Rural Services	570,565
Capital Projects	Local Option Sales and Services Tax	<u>1,405</u>
		<u>\$ 609,505</u>

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 859,093	\$ -	\$ -	\$ 859,093
Construction in progress	-	69,157	-	69,157
Total capital assets not being depreciated	<u>859,093</u>	<u>69,157</u>	<u>-</u>	<u>928,250</u>
Capital assets being depreciated:				
Buildings	2,622,174	-	-	2,622,174
Machinery and equipment	4,015,070	152,576	412,175	3,755,471
Infrastructure	8,713,797	-	-	8,713,797
Total capital assets being depreciated	<u>15,351,041</u>	<u>152,576</u>	<u>412,175</u>	<u>15,091,442</u>
Less accumulated depreciation for:				
Buildings	332,696	59,872	-	392,568
Machinery and equipment	2,317,480	293,065	412,175	2,198,370
Infrastructure	2,535,467	320,759	-	2,856,226
Total accumulated depreciation	<u>5,185,643</u>	<u>673,696</u>	<u>412,175</u>	<u>5,447,164</u>
Total capital assets being depreciated, net	<u>10,165,398</u>	<u>(521,120)</u>	<u>-</u>	<u>9,644,278</u>
Governmental activities capital assets, net	<u>\$ 11,024,491</u>	<u>\$ (451,963)</u>	<u>\$ -</u>	<u>\$ 10,572,528</u>

LUCAS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	55,556
County environment and education		13,495
Roads and transportation		581,759
Government services to residents		11,414
Administration		<u>11,472</u>
Total depreciation expense - governmental activities	\$	<u><u>673,696</u></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 at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 17,247
Special Revenue:		
Rural Services		901
Secondary Roads		<u>17,643</u>
Total for governmental funds		<u><u>\$ 35,791</u></u>
Agency:		
County Assessor	Collections	\$ 304,488
Schools		4,096,582
Community Colleges		261,760
Corporations		1,777,072
County Hospital		1,121,033
E-911		207,055
All Other		<u>447,342</u>
Total for agency funds		<u><u>\$ 8,215,332</u></u>

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 6. Long-Term Liabilities

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

	General Obligation County Purpose Bonds	General Obligation Corporate Purpose Bond	Bank Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	\$ 50,740	\$ 1,066,737	\$ 184,052	\$ 45,000	\$ 1,346,529
Increases	200,000	-	-	173,961	5,000	378,961
Decreases	-	50,740	177,094	184,052	-	411,886
Balance end of year	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 889,643</u>	<u>\$ 173,961</u>	<u>\$ 50,000</u>	<u>\$ 1,313,604</u>
Due within one year	<u>\$ 64,724</u>	<u>\$ -</u>	<u>\$ 170,332</u>	<u>\$ 173,961</u>	<u>\$ -</u>	<u>\$ 409,017</u>

General Obligation County Purpose Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.95 %	\$ 64,724	\$ 5,426	\$ 70,150
2016	2.95	66,648	3,503	70,151
2017	2.95	68,628	1,522	70,150
		<u>\$ 200,000</u>	<u>\$ 10,451</u>	<u>\$ 210,451</u>

Bank Loan Payable

In November 2009, the County entered into a capital lease purchase agreement with a private financing company for \$1,254,409 for a law enforcement center project. The project consists of the construction and lease purchase of a law enforcement center. In January 2010, the County entered into a bank loan for \$1,265,670 and had the proceeds paid directly to the financing company to essentially refund the capital lease purchase agreement. Interest of \$13,528 was also paid on the capital lease. The capital lease purchase agreement was then assigned to the bank and was used as collateral for the bank loan. The bank loan proceeds were used by the financing company to pay the costs of construction for the new law enforcement center. The County borrowed an additional \$267,291 during the year ended June 30, 2011 for added expenses for the law enforcement center project. The bank loan includes interest at 4.75%.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 6. Long-Term Liabilities (continued)

Bank Loan Payable (continued)

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 170,332	\$ 42,947	\$ 213,279
2016	178,423	34,856	213,279
2017	186,826	26,453	213,279
2018	195,773	17,506	213,279
2019	158,289	7,519	165,808
	<u>\$ 889,643</u>	<u>\$ 129,281</u>	<u>\$ 1,018,924</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 68 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Annual required contribution	\$	13,000
Interest on net OPEB obligation		2,000
Adjustment to annual required contribution		<u>(2,000)</u>
Annual OPEB cost		13,000
Contributions made		<u>(8,000)</u>
Increase in net OPEB obligation		5,000
Net OPEB obligation beginning of year		<u>45,000</u>
Net OPEB obligation end of year	\$	<u><u>50,000</u></u>

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

For the year ended June 30, 2014, the County contributed \$8,000 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 23,000	39.1%	\$ 40,000
2013	13,000	61.5%	45,000
2014	13,000	61.5%	50,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$110,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$110,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,180,000 and the ratio of the UAAL to covered payroll was 5.0%. As of June 30, 2014, there were no trust fund assets.

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

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table fully generational projected using Scale AA. Annual retirement and termination rates were developed from the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$617 per month for retirees age 55 to 59 and \$758 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Urban Renewal Development Agreement

During the year ended June 30, 2012, the County entered into a tax increment financing agreement with a local company to enable local economic expansion. Starting in the year ended June 30, 2014, the County will rebate the incremental property taxes paid on the company's facilities expansion for a period of ten years up to a maximum total of \$1,468,800. The rebate payments will not be a general obligation of the County, but will be made solely from incremental property tax revenues generated by the company's project. The County is unable to prepare an amortization schedule for the development payments due to the fluctuations inherent in property valuations and tax collections. The County paid \$24,859 in development payments to the company for the year ended June 30, 2014. Payments made on the agreement through June 30, 2014 total \$24,859, with a balance remaining of \$1,443,941.

Note 9. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$231,852, \$223,966 and \$201,812, respectively, equal to the required contributions for each year.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Note 10. Risk Management

Lucas County is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 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 started on January 1, 2010 and is funded by both employee and County contributions. The plan is administered through a service agreement with Auxiant, which is subject to automatic renewal provisions. The County assumes liability for the difference between the \$750 and \$1,500 (depending on the plan) employee deductible and the \$5,000 deductible on the policy purchased by the County for the health plan. This results in a maximum out-of-pocket liability to the County of \$8,500 for the \$750 deductible plan and \$7,000 for the \$1,500 deductible plan per employee.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2014 was \$344,884.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$3,577, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2013	\$ 15,768
Incurred claims (including claims incurred but not reported at June 30, 2014)	42,513
Payments	<u>(54,704)</u>
Unpaid claims at June 30, 2014	<u>\$ 3,577</u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$850,776 for a bridge replacement project. As of June 30, 2014, costs of \$69,157 have been incurred against the contract. The balance remaining at June 30, 2014 of \$781,619 will be paid as work on the project progresses.

LUCAS COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 13. Contingent Liability

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency is to provide economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,558,460. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2014 has \$2,558,460 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2014.

Note 14. 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.

Required Supplementary Information

LUCAS COUNTY

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

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 3,747,710	\$ 3,766,601	\$ 3,766,601	\$ (18,891)
Interest and penalty on property tax	35,152	21,200	21,200	13,952
Intergovernmental	2,969,263	3,035,899	3,116,589	(147,326)
Licenses and permits	1,695	450	450	1,245
Charges for service	233,949	229,830	229,830	4,119
Use of money and property	8,308	10,020	10,020	(1,712)
Miscellaneous	194,693	38,900	58,900	135,793
Total receipts	<u>7,190,770</u>	<u>7,102,900</u>	<u>7,203,590</u>	<u>(12,820)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	965,194	1,027,154	1,104,329	139,135
Physical health and social services	719,367	734,644	784,644	65,277
Mental health	517,941	486,279	521,279	3,338
County environment and education	216,980	237,278	259,428	42,448
Roads and transportation	2,647,718	3,317,104	3,317,104	669,386
Government services to residents	278,969	308,913	308,913	29,944
Administration	879,482	910,792	921,392	41,910
Debt service	265,169	265,199	465,199	200,030
Capital projects	138,873	651,800	651,800	512,927
Total disbursements	<u>6,629,693</u>	<u>7,939,163</u>	<u>8,334,088</u>	<u>1,704,395</u>
Excess (deficiency) of receipts over (under) disbursements	561,077	(836,263)	(1,130,498)	1,691,575
Other financing sources, net	<u>200,350</u>	<u>500</u>	<u>200,500</u>	<u>(150)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	761,427	(835,763)	(929,998)	1,691,425
Balance beginning of year	<u>2,701,048</u>	<u>1,557,559</u>	<u>2,701,048</u>	-
Balance end of year	<u>\$ 3,462,475</u>	<u>\$ 721,796</u>	<u>\$ 1,771,050</u>	<u>\$ 1,691,425</u>

See accompanying independent auditor's report.

LUCAS COUNTY

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,190,770	\$ 53,914	\$ 7,244,684
Expenditures	6,629,693	(240,643)	6,389,050
Net	561,077	294,557	855,634
Other financing sources, net	200,350	-	200,350
Beginning fund balances	2,701,048	(67,858)	2,633,190
Ending fund balances	<u>\$ 3,462,475</u>	<u>\$ 226,699</u>	<u>\$ 3,689,174</u>

See accompanying independent auditor's report.

## LUCAS COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$394,925. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements did not exceed the amount budgeted in any County function. Disbursements in the medical examiner department exceeded the amount appropriated prior to the amendment of the appropriations and disbursements in the non-departmental department exceeded the amount appropriated at year end.

LUCAS COUNTY

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

Required Supplementary Information  
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b-a)/c )
2010	July 1, 2009	\$ -	\$ 179	\$ 179	0.0%	\$ 2,036	8.8%
2011	July 1, 2009	-	179	179	0.0%	2,022	8.9%
2012	July 1, 2009	-	179	179	0.0%	2,063	8.7%
2013	July 1, 2012	-	110	110	0.0%	2,129	5.2%
2014	July 1, 2012	-	110	110	0.0%	2,180	5.0%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

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

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Local Option Sales and Services Tax	Tax Increment Financing
<b>Assets</b>				
Cash and pooled investments	\$ 588	\$ 55,899	\$ 321,499	\$ -
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	157,000
Accounts	155	-	-	-
Accrued interest	-	1	-	-
Due from other governments	-	-	54,540	-
	-	-	54,540	-
Total assets	\$ 743	\$ 55,900	\$ 376,039	\$ 157,000
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,000	\$ -	\$ -	\$ -
<b>Deferred inflows of resources:</b>				
Unavailable revenues:				
Succeeding year property tax	-	-	-	157,000
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	157,000
<b>Fund balances:</b>				
Restricted for:				
Conservation purposes	-	55,900	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	376,039	-
Unassigned	(257)	-	-	-
Total fund balances	(257)	55,900	376,039	-
Total liabilities, deferred inflows of resources and fund balances	\$ 743	\$ 55,900	\$ 376,039	\$ 157,000

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 8,571	\$ 189,158	\$ 575,715
210	-	210
66,000	-	223,000
-	-	155
-	-	1
-	-	54,540
<u>\$ 74,781</u>	<u>\$ 189,158</u>	<u>\$ 853,621</u>

\$ \_\_\_\_\_ - \$ \_\_\_\_\_ - \$ 1,000

66,000	-	223,000
210	-	210
<u>66,210</u>	-	<u>223,210</u>

-	-	55,900
8,571	-	8,571
-	189,158	189,158
-	-	376,039
-	-	(257)
<u>8,571</u>	<u>189,158</u>	<u>629,411</u>

\$ 74,781 \$ 189,158 \$ 853,621

LUCAS COUNTY

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

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Local Option Sales and Services Tax	Tax Increment Financing
Revenues:				
Property and other County tax	\$ -	\$ -	\$ 331,391	\$ 24,859
Intergovernmental	-	12,669	-	-
Charges for service	1,749	-	-	-
Use of money and property	-	6	-	-
Miscellaneous	-	16,369	-	-
Total revenues	<u>1,749</u>	<u>29,044</u>	<u>331,391</u>	<u>24,859</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	6,523	-
County environment and education	-	19,121	-	24,859
Government services to residents	7,700	-	-	-
Debt service	-	-	213,279	-
Capital projects	-	9,193	-	-
Total expenditures	<u>7,700</u>	<u>28,314</u>	<u>219,802</u>	<u>24,859</u>
Excess (deficiency) of revenues over (under) expenditures	(5,951)	730	111,589	-
Other financing sources (uses):				
General obligation bonds issued	-	-	-	-
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	(1,405)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,405)</u>	<u>-</u>
Net change in fund balances	(5,951)	730	110,184	-
Fund balances beginning of year	<u>5,694</u>	<u>55,170</u>	<u>265,855</u>	<u>-</u>
Fund balances end of year	<u>\$ (257)</u>	<u>\$ 55,900</u>	<u>\$ 376,039</u>	<u>\$ -</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	48,898	\$ -	\$ 405,148
	3,150	-	15,819
	-	-	1,749
	-	1	7
	-	-	16,369
	<u>52,048</u>	<u>1</u>	<u>439,092</u>
	-	-	6,523
	-	2,441	46,421
	-	-	7,700
	51,890	-	265,169
	-	45,752	54,945
	<u>51,890</u>	<u>48,193</u>	<u>380,758</u>
	158	(48,192)	58,334
	-	200,000	200,000
	-	1,405	1,405
	-	-	(1,405)
	<u>-</u>	<u>201,405</u>	<u>200,000</u>
	158	153,213	258,334
	<u>8,413</u>	<u>35,945</u>	<u>371,077</u>
\$	<u><u>8,571</u></u>	<u><u>189,158</u></u>	<u><u>629,411</u></u>

LUCAS COUNTY

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

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,348
Other County officials	10,313	19,383	8,452	-
Receivables:				
Property tax:				
Delinquent	-	-	-	336
Succeeding year	-	-	-	77,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 10,313</b>	<b>\$ 19,383</b>	<b>\$ 8,452</b>	<b>\$ 78,684</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,680	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	5,633	-	-	78,684
Trusts payable	-	19,383	8,452	-
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>\$ 10,313</b>	<b>\$ 19,383</b>	<b>\$ 8,452</b>	<b>\$ 78,684</b>

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 168,633	\$ 68,639	\$ 3,806	\$ 29,783	\$ 3,396	\$ 19,237	\$ 156
-	-	-	-	-	-	-
714	16,943	954	18,289	150	4,796	4
168,000	4,011,000	257,000	1,729,000	179,000	1,097,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 337,347</u>	<u>\$ 4,096,582</u>	<u>\$ 261,760</u>	<u>\$ 1,777,072</u>	<u>\$ 182,546</u>	<u>\$ 1,121,033</u>	<u>\$ 1,160</u>
\$ 3,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
182	-	-	-	-	-	-
304,488	4,096,582	261,760	1,777,072	182,546	1,121,033	1,160
-	-	-	-	-	-	-
28,710	-	-	-	-	-	-
<u>\$ 337,347</u>	<u>\$ 4,096,582</u>	<u>\$ 261,760</u>	<u>\$ 1,777,072</u>	<u>\$ 182,546</u>	<u>\$ 1,121,033</u>	<u>\$ 1,160</u>

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

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 175,913	\$ 13	\$ 183,434	\$ 1,265
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	7,691	-
Accrued interest	-	-	31	-
Due from other governments	-	-	17,548	-
	<u>175,913</u>	<u>13</u>	<u>208,704</u>	<u>1,265</u>
Total assets	<u>\$ 175,913</u>	<u>\$ 13</u>	<u>\$ 208,704</u>	<u>\$ 1,265</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 1,649	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	175,913	13	207,055	1,265
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<u>175,913</u>	<u>13</u>	<u>208,704</u>	<u>1,265</u>
Total liabilities	<u>\$ 175,913</u>	<u>\$ 13</u>	<u>\$ 208,704</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>City Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Monies and Credits</u>	<u>Total</u>
\$ 1,774	\$ 21,769	\$ 7,842	\$ 181	\$ 18	\$ 687,207
-	-	-	-	-	38,148
-	-	-	-	-	42,186
-	-	-	-	-	7,519,000
-	-	-	155	-	7,846
-	-	-	-	-	31
-	-	-	-	-	17,548
<u>\$ 1,774</u>	<u>\$ 21,769</u>	<u>\$ 7,842</u>	<u>\$ 336</u>	<u>\$ 18</u>	<u>\$ 8,311,966</u>
\$ -	\$ -	\$ -	\$ -	\$ -	10,296
-	-	-	-	-	182
1,774	-	-	336	18	8,215,332
-	21,769	7,842	-	-	57,446
-	-	-	-	-	28,710
<u>\$ 1,774</u>	<u>\$ 21,769</u>	<u>\$ 7,842</u>	<u>\$ 336</u>	<u>\$ 18</u>	<u>\$ 8,311,966</u>

LUCAS COUNTY

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

	County Offices			Agricultural Extension Education
	County Recorder	County Sheriff	Public Health	
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 15,800	\$ 14,189	\$ 6,591	\$ 79,633
Additions:				
Property and other County tax	-	-	-	77,171
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,955
Payments in lieu of taxes	-	-	-	94
Office fees and collections	133,581	64,764	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Interest	-	-	-	-
Trusts	-	91,833	12,694	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	133,581	156,597	12,694	82,220
Deductions:				
Agency remittances:				
To other funds	53,224	63,679	-	-
To other governments	85,844	1,085	-	83,169
Trusts paid out	-	86,639	10,833	-
Total deductions	139,068	151,403	10,833	83,169
Balances end of year	\$ 10,313	\$ 19,383	\$ 8,452	\$ 78,684

<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 333,512	\$ 4,076,158	\$ 227,113	\$ 1,814,918	\$ 183,583	\$ 1,143,063	\$ 1,128
167,016	3,996,013	256,352	1,724,315	178,078	1,093,435	921
-	-	-	-	-	-	-
10,531	251,078	14,036	138,166	10,320	70,711	58
200	4,749	267	-	406	1,345	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
310	-	-	-	-	-	-
<u>178,057</u>	<u>4,251,840</u>	<u>270,655</u>	<u>1,862,481</u>	<u>188,804</u>	<u>1,165,491</u>	<u>980</u>
-	-	-	-	-	-	-
174,222	4,231,416	236,008	1,900,327	189,841	1,187,521	948
-	-	-	-	-	-	-
<u>174,222</u>	<u>4,231,416</u>	<u>236,008</u>	<u>1,900,327</u>	<u>189,841</u>	<u>1,187,521</u>	<u>948</u>
\$ <u>337,347</u>	\$ <u>4,096,582</u>	\$ <u>261,760</u>	\$ <u>1,777,072</u>	\$ <u>182,546</u>	\$ <u>1,121,033</u>	\$ <u>1,160</u>

LUCAS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2014

	<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Emergency Management</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 157,079	\$ 30	\$ 169,776	\$ 1,265
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	100,572	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,254,694	-	-	-
Interest	-	-	580	-
Trusts	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	-	180	2,687	-
Total additions	<u>2,254,694</u>	<u>180</u>	<u>103,839</u>	<u>-</u>
Deductions:				
Agency remittances:				
To other funds	92,867	-	-	-
To other governments	2,142,993	197	64,911	-
Trusts paid out	-	-	-	-
Total deductions	<u>2,235,860</u>	<u>197</u>	<u>64,911</u>	<u>-</u>
Balances end of year	<u>\$ 175,913</u>	<u>\$ 13</u>	<u>\$ 208,704</u>	<u>\$ 1,265</u>

See accompanying independent auditor's report.

<u>City Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Sale Redemption</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Monies and Credits</u>	<u>Total</u>
\$ -	\$ 13,023	\$ -	\$ 380	\$ -	\$ 8,237,241
-	-	-	-	-	7,493,301
-	-	-	-	-	100,572
-	-	-	-	-	499,855
-	-	-	-	-	7,062
-	-	-	1,749	-	200,094
-	-	-	-	-	2,254,694
-	-	-	-	-	580
-	28,389	241,057	-	-	373,973
5,624	-	-	-	-	5,624
-	-	-	-	92	3,269
<u>5,624</u>	<u>28,389</u>	<u>241,057</u>	<u>1,749</u>	<u>92</u>	<u>10,939,024</u>
-	-	-	-	-	209,770
3,850	-	-	1,793	74	10,304,199
-	19,643	233,215	-	-	350,330
<u>3,850</u>	<u>19,643</u>	<u>233,215</u>	<u>1,793</u>	<u>74</u>	<u>10,864,299</u>
<u>\$ 1,774</u>	<u>\$ 21,769</u>	<u>\$ 7,842</u>	<u>\$ 336</u>	<u>\$ 18</u>	<u>\$ 8,311,966</u>

LUCAS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2014	2013	2012	2011
<b>Revenues:</b>				
Property and other County tax	\$ 3,747,255	\$ 3,720,336	\$ 3,555,268	\$ 3,416,832
Interest and penalty on property tax	35,152	35,475	37,603	34,784
Intergovernmental	3,023,792	2,776,483	2,809,504	3,137,685
Licenses and permits	1,295	805	1,140	375
Charges for service	233,484	249,981	250,476	250,935
Use of money and property	8,336	10,437	15,321	23,515
Miscellaneous	195,370	332,275	207,431	134,196
<b>Total</b>	<b>\$ 7,244,684</b>	<b>\$ 7,125,792</b>	<b>\$ 6,876,743</b>	<b>\$ 6,998,322</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 968,452	\$ 922,876	\$ 1,199,579	\$ 1,362,960
Physical health and social services	656,512	676,980	733,739	589,938
Mental health	315,517	381,851	1,233,772	988,308
County environment and education	221,025	175,415	173,476	175,640
Roads and transportation	2,651,662	2,833,051	3,422,056	2,851,330
Government services to residents	279,051	275,585	268,981	251,295
Administration	862,815	906,915	891,077	905,033
Non-program	-	-	-	-
Debt service	265,169	302,954	253,385	41,899
Capital projects	168,847	28,022	61,777	49,616
<b>Total</b>	<b>\$ 6,389,050</b>	<b>\$ 6,503,649</b>	<b>\$ 8,237,842</b>	<b>\$ 7,216,019</b>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	3,375,122	\$ 3,255,547	\$ 2,763,511	\$ 2,595,200	\$ 2,570,552	\$ 2,237,851
	31,019	36,370	31,048	30,623	32,950	29,974
	3,886,454	4,109,558	3,480,243	2,705,620	3,013,759	2,825,372
	1,015	608	1,120	330	570	530
	231,895	237,798	260,909	243,732	243,642	241,211
	41,242	70,810	135,694	174,241	148,062	87,911
	521,903	238,354	217,186	211,031	292,174	178,076
	<u>8,088,650</u>	<u>7,949,045</u>	<u>6,889,711</u>	<u>5,960,777</u>	<u>6,301,709</u>	<u>5,600,925</u>
\$	1,239,487	\$ 1,045,814	\$ 718,933	\$ 799,077	\$ 899,540	\$ 850,361
	716,084	623,021	542,992	485,966	468,710	475,374
	915,782	1,032,917	994,969	953,109	797,690	716,400
	169,366	297,233	179,324	172,466	191,722	205,009
	2,325,352	2,891,079	2,218,959	2,314,629	2,640,561	2,243,217
	240,098	265,769	228,184	225,430	296,268	207,029
	951,727	857,430	850,818	770,593	716,880	703,562
	-	-	-	173,148	-	-
	47,900	100,914	105,140	112,440	61,363	46,133
	1,399,444	740,509	860,288	231,211	945,452	597,525
	<u>8,005,240</u>	<u>7,854,686</u>	<u>6,699,607</u>	<u>6,238,069</u>	<u>7,018,186</u>	<u>6,044,610</u>

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

To the Officials of Lucas County:

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

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14, I-C-14, and I-D-14 to be significant deficiencies.

Compliance

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

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

Lucas County's Responses to Findings

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

Purpose of this Report

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

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

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
March 18, 2015

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 Financial Reporting – During the audit, we identified material amounts of receivables in the Special Revenue, Secondary Roads Fund that were not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County’s financial statements so that the financial statements are free of material misstatements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- I-B-14 Segregation of Duties

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

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records.	Sheriff
(2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts.	Sheriff, Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Sheriff

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

LUCAS COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-B-14 Segregation of Duties (continued)

Responses –

County Sheriff – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult.

County Treasurer – We are trying to segregate duties as much as possible. With limited personnel, this is very difficult. We have started alternating and rotating some duties as much as possible as well as having two people perform the bank reconciliation.

Conclusion – Responses accepted.

I-C-14 Untimely Deposit – Out of seven receipts tested, one was not deposited timely. The receipt was held by the recipient for nearly two months before being given to the County Treasurer for deposit.

Recommendation – Receipts should be turned in to the County Treasurer on a timely basis. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to ensure that the County Treasurer receives all receipts on a timely basis.

Conclusion – Response accepted.

I-D-14 Tax Increment Financing – The County has entered into a tax increment financing (TIF) economic development rebate agreement. We noted that each half of the TIF revenues and expenditures were recorded in a different fund. In addition, the rebate payments were paid by Treasurer's check and thus were not approved by the Board of Supervisors, included in the published list of County bills, or coded to the proper expenditure account.

Recommendation – All TIF revenues and expenditures should be recorded in a single fund, which should be a Special Revenue Fund. The rebate payments should go through the normal disbursement process to ensure that they are properly approved, included in the published bills list, and coded to the proper account.

Response – We have corrected our procedures for the TIF Fund in fiscal year 2015 so that the revenues and expenditures are properly recorded and handled.

Conclusion – Response accepted.

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in any County function. Disbursements in the medical examiner department exceeded the amount appropriated prior to the amendment of the appropriations and disbursements in the non-departmental department exceeded the amount appropriated at year end.

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

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

Conclusion – Response accepted.

- II-B-14 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-14 Board Minutes – Except as previously noted in comment I-D-14, no transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

LUCAS COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-J-14 Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-14 Self-Funded Insurance Actuarial Report – Chapter 509A.15 of the Code of Iowa requires a certificate of compliance, actuarial opinion, and an annual financial report for all self-funded insurance plans operated by any governmental entity to be filed with the Commissioner of Insurance if the mini-plan waiver does not apply. These items must be filed within ninety days following the plan year end. The County did not meet this requirement for their partial self-funded health plan for the 2013 plan year.

Recommendation – The County should contact an actuary and have the proper reports completed and filed with the Commissioner of Insurance. The yearly claims of the plan should be checked each year to determine whether the waiver applies or not.

Response – We will take the necessary steps to resolve this situation and we will file the proper reports. We will also check each year to see if the mini-plan waiver applies or not.

Conclusion – Response accepted.

II-L-14 Financial Condition – At June 30, 2014, the Special Revenue, County Recorder's Records Management Fund had a deficit fund balance of \$257.

Recommendation – The County should investigate alternatives to eliminate the deficit and return the fund to a sound financial condition.

Response – We will work on eliminating this deficit.

Conclusion – Response accepted.