

**WORTH COUNTY
NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014**

Table of Contents

Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis (MD&A)	4-10	
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	11	
Statement of Activities.....	12	
Governmental Fund Financial Statements		
Balance Sheet.....	13	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	14	
Statement of Revenue, Expenditures and Changes in Fund Balances.....	15	
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	16	
Proprietary Fund Financial Statements		
Statement of Net Position	17	
Statement of Revenue, Expenses and Changes in Fund Net Position	18	
Statement of Cash Flows	19	
Fiduciary Fund Financial Statement		
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	20	
Notes to the Financial Statements	21-38	
Required Supplementary Information		
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds.....	39-40	
Schedule of Budgetary Comparison - Budget to GAAP Reconciliation	41	
Schedule of Funding Progress for the Retiree Health Plan	42	
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet Schedule	43-44	
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	45-46	
Agency Funds		
Combining Schedule of Fiduciary Assets and Liabilities.....	47	
Combining Schedule of Changes in Fiduciary Assets and Liabilities	48	
Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds.....	49	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		50-51
Schedule of Findings	52-55	

Officials

Name	Title	Term Expires
Board of Supervisors		
Dennis May (deceased November 15, 2014)	First District	January 1, 2015
Dave Haugen	Second District	January 1, 2017
Ken Abrams	Third District	January 1, 2015
Officials		
Jacki Backhaus	County Auditor	January 1, 2017
Jake Hanson	County Treasurer	January 1, 2015
Elizabeth Kenison	County Recorder	January 1, 2015
Jay Langenbau	County Sheriff	January 1, 2017
Jeff Greve	County Attorney	January 1, 2015
Daniel Reeder	County Assessor	January 1, 2016

Independent Auditor's Report

Board of Supervisors
Worth County
Northwood, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 10 and 39 through 42 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worth 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 years ended June 30, 2012 and 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 43 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Worth County's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 25, 2015

**WORTH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Worth 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

- Revenue of the County's governmental activities increased 5%, or \$616,832, from fiscal year 2013 to fiscal year 2014. Property and other County tax increased \$7,429, operating grants, contributions and restricted interest increased \$467,543 while charges for service decreased \$201,890 and capital grants, contributions and restricted interest increased \$1,138,554. Penalties and interest on property tax decreased \$2,674. State tax credits decreased \$30,541, local option sales tax increased \$10,176, tax increment financing decreased \$542,770, unrestricted investment earnings decreased \$14,883 and other general revenue decreased \$214,112.
- Governmental activities expenses increased \$563,166, or 5%, in fiscal year 2014 over fiscal year 2013. Public safety and legal services expenses increased \$347,377 and county environment and education expenses increased \$501,604.
- Governmental activities net position decreased 11%, or \$1,002,664, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

This 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 Worth 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 the 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 Worth County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the individual agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenue 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, liabilities and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue 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 nonprogram activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental funds include: (a) the General Fund and (b) the Special Revenue Funds, such as Rural Services, Secondary Roads, Highway 105 Trust, Hartland Township TIF and Wind Farm TIF. 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 revenue, expenditures and changes in fund balances.

2. Proprietary funds are used to account for services for which the County charges a fee and for the County's internal service fund.

The County's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The County currently has two enterprise funds, the Wastewater and Water Funds. Internal service funds, the other type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County currently has one internal service fund, the Employee Group Health Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for agriculture extension education, auto license and use tax and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Worth County's combined net position at the end of fiscal year 2014 totaled \$13,923,742, compared to \$12,910,713 at the end of fiscal year 2013.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 16,542,058	\$ 17,240,516	\$ 114,496	\$ 114,708	\$ 16,656,554	\$ 17,355,224
Capital assets	<u>18,370,739</u>	<u>18,595,752</u>	<u>5,524,448</u>	<u>3,509,720</u>	<u>23,895,187</u>	<u>22,105,472</u>
Total Assets	<u>34,912,797</u>	<u>35,836,268</u>	<u>5,638,944</u>	<u>3,624,428</u>	<u>40,551,741</u>	<u>39,460,696</u>
Long-term liabilities	19,865,112	20,616,499	—	—	19,865,112	20,616,499
Other liabilities	<u>875,798</u>	<u>359,169</u>	<u>5,288</u>	<u>6,465</u>	<u>881,086</u>	<u>365,634</u>
Total Liabilities	<u>20,740,910</u>	<u>20,975,668</u>	<u>5,288</u>	<u>6,465</u>	<u>20,746,198</u>	<u>20,982,133</u>
Deferred Inflows of Resources	<u>5,881,801</u>	<u>5,567,850</u>	<u>—</u>	<u>—</u>	<u>5,881,801</u>	<u>5,567,850</u>
Net Position						
Net investment in capital assets	1,765,739	1,230,722	5,524,448	3,509,720	7,290,187	4,740,442
Restricted	5,759,531	6,890,615	—	—	5,759,531	6,890,615
Unrestricted	<u>764,816</u>	<u>1,171,413</u>	<u>109,208</u>	<u>108,243</u>	<u>874,024</u>	<u>1,279,656</u>
Total Net Position	<u>\$ 8,290,086</u>	<u>\$ 9,292,750</u>	<u>\$ 5,633,656</u>	<u>\$ 3,617,963</u>	<u>\$ 13,923,742</u>	<u>\$ 12,910,713</u>

Net position of the County's governmental activities decreased \$1,002,664, or 11%, from fiscal year 2013. Net position of business-type activities increased \$2,015,693, or 56%, over fiscal year 2013. One component of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$1,279,656 as of June 30, 2013 to \$874,024 as of the end of this year.

The County's decrease in governmental activities net position described in the previous paragraph is largely due to a \$2,061,728 transfer to the Enterprise, Wastewater Fund which was used in the construction of the rural water and wastewater treatment plant. The Enterprise, Wastewater Fund reported capital assets of \$5,524,448 and loss from operations of \$32,637 for the year ended June 30, 2014. The ending net position in the Wastewater Fund, which included the \$2,061,728 transfer, was \$5,627,189.

The following analysis details the changes in net position of Worth County's activities.

CHANGES IN NET POSITION OF GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenue						
Charges for service	\$ 665,586	\$ 867,476	\$ 254,384	\$ 256,299	\$ 919,970	\$ 1,123,775
Operating grants, contributions and restricted interest	3,284,918	2,817,375	—	—	3,284,918	2,817,375
Capital grants, contributions and restricted interest	2,040,587	902,033	—	—	2,040,587	902,033
General Revenue						
Property and other county tax	5,130,022	5,122,593	—	—	5,130,022	5,122,593
Interest and penalty on property tax	23,217	25,891	—	—	23,217	25,891
State tax credits	150,169	180,710	—	—	150,169	180,710
Local option sales tax	348,699	338,523	—	—	348,699	338,523
Tax increment financing	1,526,465	2,069,235	—	—	1,526,465	2,069,235
Unrestricted investment earnings	56,449	71,332	2,114	948	58,563	72,280
Other general revenue	70,888	285,000	—	—	70,888	285,000
Total Revenue	13,297,000	12,680,168	256,498	257,247	13,553,498	12,937,415
Program Expenses						
Public safety and legal services	2,531,125	2,183,748	—	—	2,531,125	2,183,748
Physical health and social services	870,050	876,276	—	—	870,050	876,276
Mental health	279,074	591,121	—	—	279,074	591,121
County environment and education	2,126,082	1,624,478	—	—	2,126,082	1,624,478
Roads and transportation	3,690,107	3,858,659	—	—	3,690,107	3,858,659
Governmental services to residents	346,439	351,720	—	—	346,439	351,720
Administration	1,282,905	1,265,329	—	—	1,282,905	1,265,329
Nonprogram	278,540	161,293	—	—	278,540	161,293
Interest on long-term debt	833,614	762,146	—	—	833,614	762,146
Wastewater and water	—	—	302,533	251,752	302,533	251,752
Total Expenses	12,237,936	11,674,770	302,533	251,752	12,540,469	11,926,522
Revenue Over (Under) Expenses	1,059,064	1,005,398	(46,035)	5,495	1,013,029	1,010,893
Operating transfers, net	(2,061,728)	(1,230,220)	2,061,728	1,230,220	—	—
Change in Net Position	(1,002,664)	(224,822)	2,015,693	1,235,715	1,013,029	1,010,893
Net Position - Beginning of Year	9,292,750	9,517,572	3,617,963	2,382,248	12,910,713	11,899,820
Net Position - End of Year	\$ 8,290,086	\$ 9,292,750	\$ 5,633,656	\$ 3,617,963	\$ 13,923,742	\$ 12,910,713

The County increased property tax rates for fiscal year 2014 by an average of 2.6%. Although rates decreased, the County's property tax revenue levied for general purposes increased approximately \$53,000 in fiscal year 2014. Property tax revenue is budgeted to decrease approximately \$44,000 next year.

The cost of all governmental activities this year was \$12,237,936 compared to \$11,674,770 last year. However, as shown in the statement of activities, the amount taxpayers ultimately financed for these activities was \$6,246,845 because some of the cost was paid by those directly benefited from the programs \$665,586 or by other governments and organizations which subsidized certain programs with grants and contributions \$5,325,505. Overall, the County's governmental program revenue, including intergovernmental aid and charges for service, increased in fiscal year 2014 from \$4,586,884 to \$5,991,091.

Worth County's net position of business-type activities increased from \$3,617,963 as of June 30, 2013 to \$5,633,656 as of June 30, 2014. This increase is due to the construction of the rural water and wastewater treatment plant. Revenue for business-type activities decreased slightly from the prior year while total expenses were \$50,781 higher than the prior fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

Worth County's governmental funds reported a combined fund balance of \$9,776,924, which is a decrease of \$1,576,579 from last year's total of \$11,353,503.

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenue and expenditures remained fairly consistent when compared to the prior year. The ending fund balance showed a decrease of \$60,139 from the prior year to \$1,818,266.
- The Special Revenue, Rural Services Fund revenue and expenditures remained consistent when compared to the prior year. The ending fund balance decreased by \$116,430 to \$479,457.
- The Special Revenue, Secondary Roads Fund revenue increased \$163,066 while expenditures increased \$1,110,133 from the prior year. The increase in expense was offset by operating transfers in and the ending balance increased \$268,328 to \$3,389,651.
- Special Revenue, Highway 105 Trust revenue remained consistent when compared to the prior year and the ending fund balance increased slightly to \$1,699,641.
- The Special Revenue, Hartland Township TIF Fund revenue increased \$825,426, while expenses decreased \$325,516 and operating transfers out increased \$831,508 from the prior year. This led to a \$1,155,705 decrease in fund balance to \$1,192,367.
- The Special Revenue, Wind Farm TIF Fund had a decrease of \$359,165 in revenue, decrease in expenditures of \$292,052 and reported \$6,085,000 of general obligation refunding bond proceeds of which \$6,023,156 was paid to the refunding escrow agent for the purpose of carrying out the early redemption of the general obligation urban renewal county road improvement bonds, Series 2009, on June 1, 2016. The ending fund balance was \$569,525, an increase of \$172,215 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget four times. The first amendment was made in July, 2013 and resulted in an increase in budgeted disbursements related to public safety and legal services. However, this did not result in an increase in property and other county tax as the County received more intergovernmental receipts than originally budgeted. The second amendment was made in October, 2013. This amendment also increased budgeted disbursements related to public safety and legal services as well as capital projects. The third amendment was made on April 28, 2014 and increased budget disbursements related to public safety and legal services, mental health and capital projects. On May 31, 2014, the fourth amendment was made to amend long-term debt proceeds for the \$6,085,000 of General Obligation Refunding Bonds issued.

The County’s receipts were \$630,271 less than budgeted, a variance of 4.6%. The most significant variance resulted from the County receiving less intergovernmental revenue than expected. Total disbursements were \$4,182,501 less than the amended budget. Actual disbursements for the physical health and social services, debt service and capital projects functions were \$255,392, \$215,118 and \$3,113,969, respectively, less than budgeted. Actual disbursements in the capital projects function were under budget primarily due to the Manly Rail Port grant that was budgeted but not completed by June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, Worth County had invested \$23.7 million in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$300,000, or 1.3%, over last year.

Capital Assets at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Land.....	\$ 397,689	\$ 397,689
Construction in progress.....	221,841	—
Buildings and improvements	1,356,960	1,234,953
Equipment and vehicles	1,904,007	2,003,148
Intangibles.....	33,838	63,342
Infrastructure	<u>14,456,404</u>	<u>14,896,620</u>
Total	<u>\$ 18,370,739</u>	<u>\$ 18,595,752</u>

This year’s additions and disposals combined with depreciation expense resulted in a net increase in governmental capital assets of approximately \$300,000. The County had governmental activities depreciation expense of \$783,685 in fiscal year 2014 and total accumulated depreciation of \$5,360,132 as of June 30, 2014.

The County’s fiscal year 2014 capital budget included \$6,367,239 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

As of June 30, 2014, Worth County invested \$5.6 million in waste water capital assets for business-type activities. This is an increase of approximately \$2.1 million, or 58%, over last year.

	Business-Type Activities	
	June 30,	
	2014	2013
Construction in progress.....	\$ 3,291,948	\$ 1,230,220
Infrastructure	<u>2,232,500</u>	<u>2,279,500</u>
Total	<u>\$ 5,524,448</u>	<u>\$ 3,509,720</u>

This year’s major additions included the construction in progress on the wastewater treatment plant.

The County had business-type activities depreciation expense of \$47,000 in fiscal year 2014 and total accumulated depreciation of \$117,500 as of June 30, 2014.

Long-Term Debt

As of June 30, 2014, Worth County had \$19,558,887 in general obligation bonds, notes and other debt outstanding, compared to \$20,292,423 as of June 30, 2013, as shown below.

Outstanding Debt at Year End

	Governmental Activities	
	June 30,	
	2014	2013
General obligation bonds.....	\$ 19,515,000	\$ 20,065,000
Revenue bonds	—	99,006
Installment purchase agreement	—	56,067
Drainage improvement certificates	43,887	54,859
Interfund loan	—	17,491
Total	<u>\$ 19,558,887</u>	<u>\$ 20,292,423</u>

The County continues to carry a general obligation bond rating of A assigned by national rating agencies to the County’s debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County’s corporate limits. Worth County’s outstanding general obligation debt is significantly below its constitutional debt limit of \$48 million. Other obligations include accrued compensated absences and net OPEB liability. Additional information about the County’s long-term debt is presented in Note 6 to the financial statements.

NEXT YEAR’S BUDGET AND RATES

Amounts available for appropriation in the fiscal year 2015 operating budget are \$14,431,034, a decrease of 21% over the final 2014 budget.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide the County’s citizens, taxpayers, customers and creditors with a general overview of Worth 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 Worth County Auditor’s Office, 1000 Central Avenue, Northwood, Iowa.

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 9,352,105	\$ 59,382	\$ 9,411,487
Receivables			
Property Tax			
Delinquent	2,469	—	2,469
Succeeding year	5,881,801	—	5,881,801
Accounts	62,308	42,325	104,633
Accrued interest	8,875	555	9,430
Due from other governments	983,307	—	983,307
Inventories	228,640	—	228,640
Prepaid expenses	22,553	12,234	34,787
Capital assets, net of accumulated depreciation/ amortization	<u>18,370,739</u>	<u>5,524,448</u>	<u>23,895,187</u>
Total Assets	<u>\$ 34,912,797</u>	<u>\$ 5,638,944</u>	<u>\$ 40,551,741</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 749,477	\$ 5,288	\$ 754,765
Accrued interest payable	57,112	—	57,112
Salaries and benefits payable	30,226	—	30,226
Due to other governments	38,983	—	38,983
Long-Term Liabilities			
Portion Due or Payable Within One Year			
General obligation bonds	1,220,000	—	1,220,000
Drainage improvement certificates	10,972	—	10,972
Compensated absences	178,103	—	178,103
Termination benefits	48,564	—	48,564
Portion Due or Payable After One Year			
General obligation bonds	18,295,000	—	18,295,000
Drainage improvement certificates	32,915	—	32,915
Net OPEB liability	79,558	—	79,558
Total Liabilities	<u>20,740,910</u>	<u>5,288</u>	<u>20,746,198</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>5,881,801</u>	<u>—</u>	<u>5,881,801</u>
Net Position			
Net investment in capital assets	1,765,739	5,524,448	7,290,187
Restricted for			
Supplemental levy purposes	396,376	—	396,376
Mental health purposes	155,315	—	155,315
Rural services purposes	479,809	—	479,809
Secondary roads purposes	3,161,011	—	3,161,011
Other purposes	1,567,020	—	1,567,020
Unrestricted	<u>764,816</u>	<u>109,208</u>	<u>874,024</u>
Total Net Position	<u>8,290,086</u>	<u>5,633,656</u>	<u>13,923,742</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 34,912,797</u>	<u>\$ 5,638,944</u>	<u>\$ 40,551,741</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position			
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Public safety and legal services.....	\$ 2,531,125	\$ 78,716	\$ 753,994	\$ —	\$ (1,698,415)	\$ —	\$ (1,698,415)
Physical health and social services	870,050	165,818	376,221	—	(328,011)	—	(328,011)
Mental health.....	279,074	—	9,289	—	(269,785)	—	(269,785)
County environment and education	2,126,082	12,794	12,257	1,714,711	(386,320)	—	(386,320)
Roads and transportation	3,690,107	220,395	2,122,164	325,876	(1,021,672)	—	(1,021,672)
Governmental services to residents.....	346,439	127,065	10,443	—	(208,931)	—	(208,931)
Administration.....	1,282,905	17,503	550	—	(1,264,852)	—	(1,264,852)
Nonprogram	278,540	43,295	—	—	(235,245)	—	(235,245)
Interest on long-term debt.....	833,614	—	—	—	(833,614)	—	(833,614)
Total Governmental Activities	12,237,936	665,586	3,284,918	2,040,587	(6,246,845)	—	(6,246,845)
Business-Type Activities	302,533	254,384	—	—	—	(48,149)	(48,149)
Total	\$ 12,540,469	\$ 919,970	\$ 3,284,918	\$ 2,040,587	(6,246,845)	(48,149)	(6,294,994)
General Revenue							
Property and Other County Tax							
Levied for							
General purposes.....					4,207,041	—	4,207,041
Other county tax.....					922,981	—	922,981
Interest and penalty on property tax					23,217	—	23,217
State tax credits.....					150,169	—	150,169
Local option sales tax					348,699	—	348,699
Tax increment financing					1,526,465	—	1,526,465
Unrestricted investment earnings					56,449	2,114	58,563
Miscellaneous.....					164,038	—	164,038
Loss on disposal of capital assets					(93,150)	—	(93,150)
Transfers					(2,061,728)	2,061,728	—
Total General Revenue.....					5,244,181	2,063,842	7,308,023
Change in Net Position					(1,002,664)	2,015,693	1,013,029
Net Position - Beginning of Year.....					9,292,750	3,617,963	12,910,713
Net Position - End of Year.....					\$ 8,290,086	\$ 5,633,656	\$ 13,923,742

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of and for the Year Ended June 30, 2014

	Special Revenue							Total
	General	Rural Services	Secondary Roads	Highway 105 Trust	Hartland Township TIF	Wind Farm TIF	Nonmajor	
Assets								
Cash, cash equivalents and pooled investments	\$ 1,670,142	\$ 416,385	\$ 2,756,619	\$ 1,699,641	\$ 1,418,113	\$ 567,988	\$ 761,039	\$ 9,289,927
Receivables								
Property Tax								
Delinquent	1,888	352	—	—	—	—	229	2,469
Succeeding year	2,657,238	987,705	—	—	202,959	1,708,034	325,865	5,881,801
Accounts	55,062	—	6,944	—	—	—	302	62,308
Accrued interest	3,469	—	—	—	1,771	1,537	2,098	8,875
Due from other governments	209,690	82,807	503,809	—	—	—	187,001	983,307
Inventories	—	—	228,640	—	—	—	—	228,640
Prepaid expenses	22,553	—	—	—	—	—	—	22,553
Total Assets	\$ 4,620,042	\$ 1,487,249	\$ 3,496,012	\$ 1,699,641	\$ 1,622,843	\$ 2,277,559	\$ 1,276,534	\$ 16,479,880
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 92,596	\$ 17,324	\$ 89,659	\$ —	\$ 227,517	\$ —	\$ 322,382	\$ 749,478
Salaries and benefits payable	14,497	1,814	13,914	—	—	—	—	30,225
Due to other governments	35,557	597	2,788	—	—	—	41	38,983
Total Liabilities	142,650	19,735	106,361	—	227,517	—	322,423	818,686
Deferred Inflows of Resources								
Unavailable Revenue								
Succeeding year property tax	2,657,238	987,705	—	—	202,959	1,708,034	325,865	5,881,801
Other	1,888	352	—	—	—	—	229	2,469
Total Deferred Inflows of Resources	2,659,126	988,057	—	—	202,959	1,708,034	326,094	5,884,270
Fund Balances								
Nonspendable								
Inventories	—	—	228,640	—	—	—	—	228,640
Prepaid expenses	22,553	—	—	—	—	—	—	22,553
Restricted for								
Supplemental levy purposes	396,376	—	—	—	—	—	—	396,376
Mental health purposes	—	—	—	—	—	—	155,086	155,086
Rural services purposes	—	479,457	—	—	—	—	—	479,457
Secondary roads purposes	—	—	3,161,011	—	—	—	—	3,161,011
Drainage district purposes	—	—	—	—	—	—	62,822	62,822
Conservation land acquisition	131,264	—	—	—	—	—	—	131,264
Other purposes	512,291	—	—	1,699,641	1,192,367	569,525	410,109	4,383,933
Assigned for DARE and canine programs	7,169	—	—	—	—	—	—	7,169
Unassigned	748,613	—	—	—	—	—	—	748,613
Total Fund Balances	1,818,266	479,457	3,389,651	1,699,641	1,192,367	569,525	628,017	9,776,924
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,620,042	\$ 1,487,249	\$ 3,496,012	\$ 1,699,641	\$ 1,622,843	\$ 2,277,559	\$ 1,276,534	\$ 16,479,880

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 13)	\$ 9,776,924
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 \$23,730,871 and the accumulated depreciation/amortization is \$5,360,132	18,370,739
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows in the governmental funds ..	2,469
The Internal Service Fund is used by management to charge the costs 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	62,178
Long-term liabilities, including bonds payable, drainage improvement certificates payable, compensated absences payable, other post-employment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(19,922,224)</u>
Net Position of Governmental Activities (Page 11)	<u>\$ 8,290,086</u>

**Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds**

Year Ended June 30, 2014

	Special Revenue							Total
	General	Rural Services	Secondary Roads	Highway 105 Trust	Hartland Township TIF	Wind Farm TIF	Nonmajor	
Revenue								
Property and other county tax.....	\$ 3,747,020	\$ 1,038,487	\$ —	\$ —	\$ 213,494	\$ 1,311,733	\$ 343,826	\$ 6,654,560
Local option sales tax.....	—	348,699	—	—	—	—	—	348,699
Interest and penalty on property tax	23,209	—	—	—	—	—	8	23,217
Intergovernmental	1,331,358	35,875	2,376,403	—	251	—	742,446	4,486,333
Licenses and permits.....	6,845	—	20,175	—	—	—	—	27,020
Charges for service	267,625	4,375	—	—	—	—	15,886	287,886
Use of money and property	44,376	275	—	4,966	8,104	8,599	12,563	78,883
Miscellaneous.....	166,415	—	271,856	—	1,000,000	—	43,357	1,481,628
Total Revenue	<u>5,586,848</u>	<u>1,427,711</u>	<u>2,668,434</u>	<u>4,966</u>	<u>1,221,849</u>	<u>1,320,332</u>	<u>1,158,086</u>	<u>13,388,226</u>
Expenditures								
Operating								
Public safety and legal services.....	2,217,991	322,519	—	—	—	—	6,255	2,546,765
Physical health and social services.....	847,575	—	—	—	—	—	—	847,575
Mental health.....	—	—	—	—	—	—	279,074	279,074
County environment and education	574,024	217,637	—	—	—	—	—	791,661
Roads and transportation	—	—	3,231,062	—	—	—	—	3,231,062
Governmental services to residents.....	341,328	170	—	—	—	—	—	341,498
Administration.....	1,322,953	953	—	—	—	—	—	1,323,906
Nonprogram	—	—	—	—	—	—	290,614	290,614
Debt service	56,067	—	—	—	225,941	1,176,305	101,782	1,560,095
Capital projects.....	218,164	—	221,841	—	89,885	—	1,171,580	1,701,470
Total Expenditures	<u>5,578,102</u>	<u>541,279</u>	<u>3,452,903</u>	<u>—</u>	<u>315,826</u>	<u>1,176,305</u>	<u>1,849,305</u>	<u>12,913,720</u>
Revenue Over (Under) Expenditures	<u>8,746</u>	<u>886,432</u>	<u>(784,469)</u>	<u>4,966</u>	<u>906,023</u>	<u>144,027</u>	<u>(691,219)</u>	<u>474,506</u>
Other Financing Sources (Uses)								
General obligation refunding bonds issued.....	—	—	—	—	—	6,085,000	—	6,085,000
Net discount on general obligation refunding bonds issued	—	—	—	—	—	(33,656)	—	(33,656)
Payment to refunding bonds escrow agent.....	—	—	—	—	—	(6,023,156)	—	(6,023,156)
Sale of capital assets.....	3,000	—	—	—	—	—	—	3,000
Operating transfers in	—	—	1,073,342	—	—	—	1,405	1,074,747
Operating transfers out.....	(71,885)	(1,002,862)	—	—	(2,061,728)	—	—	(3,136,475)
Total Other Financing Sources (Uses)	<u>(68,885)</u>	<u>(1,002,862)</u>	<u>1,073,342</u>	<u>—</u>	<u>(2,061,728)</u>	<u>28,188</u>	<u>1,405</u>	<u>(2,030,540)</u>
Net Change in Fund Balances	<u>(60,139)</u>	<u>(116,430)</u>	<u>288,873</u>	<u>4,966</u>	<u>(1,155,705)</u>	<u>172,215</u>	<u>(689,814)</u>	<u>(1,556,034)</u>
Fund Balances - Beginning of Year	1,878,405	595,887	3,121,323	1,694,675	2,348,072	397,310	1,317,831	11,353,503
Decrease in reserve for inventories	—	—	(20,545)	—	—	—	—	(20,545)
Fund Balances - End of Year	<u>\$ 1,818,266</u>	<u>\$ 479,457</u>	<u>\$ 3,389,651</u>	<u>\$ 1,699,641</u>	<u>\$ 1,192,367</u>	<u>\$ 569,525</u>	<u>\$ 628,017</u>	<u>\$ 9,776,924</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, 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 (Page 15) **\$ (1,556,034)**

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

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

Expenditures for capital assets.....	\$ 654,822	
Depreciation/amortization expense	<u>(783,685)</u>	(128,863)

In the statement of activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(96,150)
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Because some revenue will not be collected for several months after the County's year end, it is not considered available revenue and is recognized as deferred inflows in the governmental funds.....		1,924
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments exceeded issuances, as follows:

Issued	\$ (6,085,000)	
Repaid	<u>6,801,045</u>	716,045

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.....	\$ 40,972	
Other postemployment benefits/termination benefits.....	(5,630)	
Interest on long-term debt	<u>(6,780)</u>	28,562

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding asset is exhausted.....		(20,545)
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The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.....		<u>52,397</u>
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Change in Net Position of Governmental Activities (Page 12) **\$ (1,002,664)**

Statement of Net Position - Proprietary Funds

As of June 30, 2014

	Enterprise Funds			Internal Service Employee Group Health
	Wastewater	Nonmajor Water	Total	
Assets				
Current Assets				
Cash and cash equivalents.....	\$ 55,275	\$ 4,107	\$ 59,382	\$ 62,178
Receivables				
Accounts	27,073	15,252	42,325	—
Accrued interest	277	278	555	—
Due from other funds.....	17,705	—	17,705	—
Prepaid expenses.....	6,117	6,117	12,234	—
Total Current Assets	<u>106,447</u>	<u>25,754</u>	<u>132,201</u>	<u>62,178</u>
Capital Assets, Net of				
Accumulated Depreciation ...	<u>5,524,448</u>	<u>—</u>	<u>5,524,448</u>	<u>—</u>
Total Assets	<u>\$ 5,630,895</u>	<u>\$ 25,754</u>	<u>\$ 5,656,649</u>	<u>\$ 62,178</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 3,706	\$ 1,582	\$ 5,288	\$ —
Due to other funds.....	—	17,705	17,705	—
Total Current Liabilities	<u>3,706</u>	<u>19,287</u>	<u>22,993</u>	<u>—</u>
Net Position				
Investment in capital assets.....	5,524,448	—	5,524,448	—
Unrestricted	102,741	6,467	109,208	62,178
Total Net Position.....	<u>5,627,189</u>	<u>6,467</u>	<u>5,633,656</u>	<u>62,178</u>
Total Liabilities and Net Position	<u>\$ 5,630,895</u>	<u>\$ 25,754</u>	<u>\$ 5,656,649</u>	<u>\$ 62,178</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2014

	<u>Enterprise Funds</u>			<u>Internal Service Employee Group Health</u>
	Wastewater	<u>Nonmajor Water</u>	Total	
Operating Revenue				
Reimbursements from operating funds.....	\$ —	\$ —	\$ —	\$ 564,572
Reimbursements from employees	—	—	—	186,070
Insurance reimbursements	—	—	—	1,433
Charges for service	<u>161,576</u>	<u>92,808</u>	<u>254,384</u>	<u>—</u>
Total Operating Revenue.....	<u>161,576</u>	<u>92,808</u>	<u>254,384</u>	<u>752,075</u>
Operating Expenses				
Cost of sales and service.....	147,213	108,320	255,533	—
Depreciation	47,000	—	47,000	—
Insurance premiums	—	—	—	699,698
Total Operating Expenses	<u>194,213</u>	<u>108,320</u>	<u>302,533</u>	<u>699,698</u>
Income (Loss) From Operations	(32,637)	(15,512)	(48,149)	52,377
Nonoperating Revenue				
Interest income.....	<u>1,057</u>	<u>1,057</u>	<u>2,114</u>	<u>20</u>
Income (Loss) Before Transfers	(31,580)	(14,455)	(46,035)	52,397
Other Financing Sources				
Operating transfers in	<u>2,061,728</u>	<u>—</u>	<u>2,061,728</u>	<u>—</u>
Net Income (Loss)	2,030,148	(14,455)	2,015,693	52,397
Net Position - Beginning of Year	<u>3,597,041</u>	<u>20,922</u>	<u>3,617,963</u>	<u>9,781</u>
Net Position - End of Year.....	<u>\$ 5,627,189</u>	<u>\$ 6,467</u>	<u>\$ 5,633,656</u>	<u>\$ 62,178</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	Enterprise Funds			Internal Service Employee Group Health
	Wastewater	Nonmajor Water	Total	
Cash Flows From Operating Activities				
Cash received from sales of services	\$ 150,497	\$ 87,678	\$ 238,175	\$ —
Cash received from operating fund reimbursements	—	—	—	564,572
Cash received from employees and others	—	—	—	187,505
Cash payments to suppliers for services	(148,410)	(108,444)	(256,854)	(699,698)
Net Cash Provided by (Used in) Operating Activities.....	2,087	(20,766)	(18,679)	52,379
Cash Flows From Investing Activities				
Interest on investments.....	942	941	1,883	18
Cash received (paid) to other funds.....	(17,705)	17,705	—	—
Net Cash Provided by (Used in) Investing Activities	(16,763)	18,646	1,883	18
Cash Flows From Capital and Related Financing Activities				
Cash received from county	2,061,728	—	2,061,728	—
Cash paid to purchase capital assets.....	(2,061,728)	—	(2,061,728)	—
Net Cash Used in Capital and Related Financing Activities	—	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	(14,676)	(2,120)	(16,796)	52,397
Cash and Cash Equivalents at Beginning of Year	69,951	6,227	76,178	9,781
Cash and Cash Equivalents at End of Year	\$ 55,275	\$ 4,107	\$ 59,382	\$ 62,178
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Income (loss) from operations	\$ (32,637)	\$ (15,512)	\$ (48,149)	\$ 52,377
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Depreciation	47,000	—	47,000	—
Changes in Assets and Liabilities (Increase) decrease in receivables.....	(11,079)	(5,130)	(16,209)	2
Increase in prepaid expenses.....	(72)	(72)	(144)	—
Decrease in accounts payable.....	(1,125)	(52)	(1,177)	—
Net Cash Provided by (Used in) Operating Activities	\$ 2,087	\$ (20,766)	\$ (18,679)	\$ 52,379

See accompanying notes to the financial statements.

Statement of Fiduciary Assets and Liabilities - Agency Funds ---

As of June 30, 2014

Assets

Cash, Cash Equivalents and Pooled Investments	
County Treasurer.....	\$ 1,136,089
Other county officials	21,788
Receivables	
Property Tax	
Delinquent	9,457
Succeeding year	8,396,908
Accounts.....	<u>20,664</u>
Total Assets	<u>9,584,906</u>

Liabilities

Accounts payable	3,776
Due to other governments	9,548,217
Trusts payable.....	31,722
Compensated absences.....	<u>1,191</u>
Total Liabilities	<u>9,584,906</u>

Net Position	<u>\$ —</u>
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Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Worth 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

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

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

Blended Component Units

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

Seventy-nine drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Worth County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Worth County Auditor's Office.

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: Worth County Assessor's Conference Board, Worth County Emergency Management Commission and Worth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 revenue and other nonexchange transactions.

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

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

The County had the following major governmental funds:

The *General Fund* is the general operating fund of the County. All general tax revenue and other revenue that is 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, fixed charges and capital improvement costs that are not paid from other funds.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Special Revenue

The *Rural Services Fund* is used to account for property tax and other revenue 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 Special Revenue, Rural Services Funds and other revenue to be used for secondary road construction and maintenance.

The *Highway 105 Trust Fund* is used to account for the secondary road construction and maintenance.

The *Wind Farm TIF Fund* is used to account for road improvements.

The Hartland Township *TIF Fund* is used to account for the funding of improvements through the use of TIF funds.

Additionally, the County reports the following proprietary funds:

Enterprise Funds are utilized to account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

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

The following fiduciary funds are also reported:

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

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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Under the terms of the grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. 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 revenue.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the County's Enterprise Funds is charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments

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

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

(1) Summary of Significant Accounting Policies and Other Matters

Property Tax Receivable

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

Due From and Due to Other Funds

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

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

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

Capital Assets

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Asset Class	Amount
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000
Intangibles.....	25,000
Infrastructure.....	50,000

All capital assets of the County are depreciated/amortized using the straight-line method of depreciation/amortization over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	20 - 50 Years
Equipment and vehicles	2 - 20 Years
Intangibles.....	5 - 20 Years
Infrastructure.....	30 - 50 Years

Due to Other Governments

Due to other governments represents taxes and other revenue collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

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

Compensated Absences

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

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

Net Position

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

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; however, disbursements in certain departments exceeded the amounts budgeted.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks as of 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 that there will be no loss of public funds.

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

Interest Rate Risk

The County's investment policy limits the investment of funds to instruments that mature within the anticipated needs for funds based upon cash flow projections prepared at regular intervals and consistent with the needs and use of the County.

(3) Interfund Transfers

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

Transfer to	Transfer From	Amount
Special Revenue Secondary Roads	General	\$ 70,480
	Special Revenue	
	Rural Services	<u>1,002,862</u>
		<u>1,073,342</u>
Emergency Medical Services	General	<u>1,405</u>
Enterprise Wastewater	Special Revenue	
	Hartland Township TIF	<u>2,061,728</u>
		<u>\$ 3,136,475</u>

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

Notes to the Financial Statements

(4) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated/ Amortized				
Land.....	\$ 397,689	\$ —	\$ —	\$ 397,689
Construction in progress	<u>—</u>	<u>221,841</u>	<u>—</u>	<u>221,841</u>
Total Capital Assets Not Being Depreciated/ Amortized	<u>397,689</u>	<u>221,841</u>	<u>—</u>	<u>619,530</u>
Capital Assets Being Depreciated/ Amortized				
Buildings and improvements	1,698,072	167,003	—	1,865,075
Equipment.....	3,559,329	206,072	231,518	3,533,883
Vehicles	909,355	67,368	125,361	851,362
Intangibles.....	130,850	—	—	130,850
Infrastructure	<u>16,730,171</u>	<u>—</u>	<u>—</u>	<u>16,730,171</u>
Total Capital Assets Being Depreciated/Amortized	<u>23,027,777</u>	<u>440,443</u>	<u>356,879</u>	<u>23,111,341</u>
Less Accumulated Depreciation/ Amortization for				
Buildings and improvements	463,119	44,996	—	508,115
Equipment.....	1,813,288	195,224	155,892	1,852,620
Vehicles	652,248	73,745	97,375	628,618
Intangibles.....	67,508	29,504	—	97,012
Infrastructure	<u>1,833,551</u>	<u>440,216</u>	<u>—</u>	<u>2,273,767</u>
Total Accumulated Depreciation/Amortization ...	<u>4,829,714</u>	<u>783,685</u>	<u>253,267</u>	<u>5,360,132</u>
Net Total Capital Assets Being Depreciated/Amortized.....	<u>18,198,063</u>	<u>(343,242)</u>	<u>103,612</u>	<u>17,751,209</u>
Net Governmental Activities				
Capital Assets	<u>\$ 18,595,752</u>	<u>\$ (121,401)</u>	<u>\$ 103,612</u>	<u>\$ 18,370,739</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 1,230,220	\$ 2,061,728	\$ —	\$ 3,291,948
Capital Assets Being Depreciated				
Infrastructure.....	2,350,000	—	—	2,350,000
Less accumulated depreciation for infrastructure	<u>70,500</u>	<u>47,000</u>	<u>—</u>	<u>117,500</u>
Total Capital Assets Being Depreciated, Net	<u>2,279,500</u>	<u>47,000</u>	<u>—</u>	<u>2,232,500</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 3,509,720</u>	<u>\$ 2,014,728</u>	<u>\$ —</u>	<u>\$ 5,524,448</u>

Notes to the Financial Statements

(4) Capital Assets

Depreciation/amortization expense was charged as follows:

Governmental Activities	
Public safety and legal services	\$ 107,031
Physical health and social services	20,275
County environment and education	43,263
Roads and transportation	554,813
Governmental services to residents	3,037
Administration	41,015
Nonprogram	14,251
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 783,685</u>
Business-Type Activities	
Wastewater	<u>\$ 47,000</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General		\$ 35,557
Special Revenue		
Mental Health	Services	38
Rural services		597
Secondary roads		2,788
Emergency medical services		3
Total Governmental Funds		<u>\$ 38,983</u>
Agency		
Agricultural Extension Education	Collections	\$ 150,396
County Assessor		566,416
Schools		6,128,223
Community Colleges		321,198
Corporations		1,589,568
Auto license and use tax		186,229
All other		606,187
Total Agency Funds		<u>\$ 9,548,217</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds.....	\$ 20,065,000	\$ 6,085,000	\$ 6,635,000	\$ 19,515,000	\$ 1,220,000
Revenue bonds	99,006	—	99,006	—	—
Installment purchase agreement.....	56,067	—	56,067	—	—
Drainage improvement certificates.....	54,859	—	10,972	43,887	10,972
Interfund loan	17,491	—	17,491	—	—
Compensated absences	219,075	178,103	219,075	178,103	178,103
Early retirement incentive.....	61,595	2,307	15,338	48,564	48,564
Net OPEB liability	60,897	18,661	—	79,558	—
	<u>\$ 20,633,990</u>	<u>\$ 6,284,071</u>	<u>\$ 7,052,949</u>	<u>\$ 19,865,112</u>	<u>\$ 1,457,639</u>

Business-Type Activities

Interfund loan	\$ —	\$ 17,705	\$ —	\$ 17,705	\$ 17,705
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General Obligation Bonds

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

Year Ending June 30,	Urban Renewal County Road Improvement Bonds					
	Issued June 15, 2009			Issued December 15, 2010		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2015	2.50%	\$ 845,000	\$ 257,750	1.60%	\$ 260,000	\$ 97,660
2016	2.75	870,000	236,625	1.90	265,000	93,500
2017	—	—	—	2.20	270,000	88,465
2018	—	—	—	2.50	280,000	82,525
2019	—	—	—	2.80	290,000	75,525
2020-2024	—	—	—	3.05 - 3.70	1,585,000	238,163
2025-2029	—	—	—	3.80	355,000	13,490
Total		<u>\$ 1,715,000</u>	<u>\$ 494,375</u>		<u>\$ 3,305,000</u>	<u>\$ 689,328</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Year Ending June 30,	Urban Renewal Economic Development Bonds			Urban Renewal Bonds		
	Issued June 9, 2011			Issued November 20, 2012		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2015	2.50%	\$ 100,000	\$ 164,563	0.80%	\$ 15,000	\$ 60,220
2016	2.50	430,000	162,063	0.80	45,000	60,100
2017	2.75	435,000	151,312	0.80	115,000	59,740
2018	2.75	445,000	139,350	2.00	205,000	58,820
2019	2.75	455,000	127,112	2.00	205,000	54,720
2020-2024	2.75 - 3.40	2,505,000	438,065	2.00	1,100,000	210,100
2025-2029	3.55 - 3.65	1,130,000	61,678	2.10 - 2.60	1,225,000	89,920
Total		<u>\$ 5,500,000</u>	<u>\$ 1,244,143</u>		<u>\$ 2,910,000</u>	<u>\$ 593,620</u>

Year Ending June 30,	Refunding Bonds			Principal	Interest	Total
	Issued May 28, 2014					
Interest Rate	Principal	Interest				
2015	1.50%	\$ —	\$ 105,147	\$ 1,220,000	\$ 685,340	\$ 1,905,340
2016	1.50	—	100,673	1,610,000	652,961	2,262,961
2017	1.50	\$ 980,000	100,673	1,800,000	400,190	2,200,190
2018	1.50	995,000	85,973	1,925,000	366,668	2,291,668
2019	1.50	1,005,000	71,048	1,955,000	328,405	2,283,405
2020-2024	1.50 - 2.05	3,105,000	118,170	8,295,000	1,004,498	9,299,498
2025-2029		—	—	2,710,000	165,088	2,875,088
Total		<u>\$ 6,085,000</u>	<u>\$ 581,684</u>	<u>\$ 19,515,000</u>	<u>\$ 3,603,150</u>	<u>\$ 23,118,150</u>

The County was in compliance with all bond resolutions.

Refunded Bonds

On May 28, 2014, the County approved a refunding trust agreement with its refunding trustee. The agreement required the County to authorize the issuance of \$6,085,000 General Obligation Refunding Bonds, Series 2014. The trustee agreed to accept the bond proceeds, invest the funds and call and retire debt principal plus interest. At closing, \$6,023,156 of Series 2014 bond proceeds were wire transferred directly to the refunding trust to purchase certain direct obligations of the United States Government which will mature at such times and in such amounts, including investment income therefrom, as will be sufficient to pay all of the principal and interest on the refunded bonds maturing after June 1, 2016, which are callable for redemption on June 1, 2016, and to pay the interest due on the Series 2014 bonds through and including the 2016 redemption date. The County will make scheduled principal and interest payments on Series 2009 bonds maturing prior to and including June 1, 2016, from County funds. Remaining bonds are callable at the dates and in the amounts noted below:

	June 1, 2015	June 1, 2016	June 1, 2016 (Refunded)
General Obligation Urban Renewal County Road Improvement Bonds, 6-15-09.....	<u>\$ 845,000</u>	<u>\$ 870,000</u>	<u>\$ 5,865,000</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding resulted in the County saving \$201,516. The economic loss resulting from the refunding was immaterial.

Interfund Loan

During the fiscal year ended June 30, 2009, the County approved loans of \$100,000 and \$400,000 from the General Fund and the Special Revenue, Highway 105 Trust Fund, respectively, to the Special Revenue, Hartland Township TIF Fund. During the fiscal year ended June 30, 2014, \$17,491 was repaid on the interfund loan which repaid the loan in full.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. The County had no drainage warrants outstanding as of June 30, 2014.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest-bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

Early Retirement Incentive

As an early retirement incentive, the County will provide single premium health insurance equal to the dollar value of the fiscal year approved premium with no annuity until age 65. To qualify the employee must be 55 years of age with 30 years of IPERS eligible service. The program was suspended as of July 1, 2009. Retirees already receiving the benefit or retiring prior to July 1, 2009 will continue to receive the benefit. During the year ended June 30, 2014, the County's expense for two employees was \$15,338. Both employees are eligible to receive the benefit after June 30, 2014. The liability to the County (at current rates) is \$48,564.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of annual covered payroll. 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 \$343,924, \$301,224 and \$279,565, respectively, which was equal to the required contribution for each year.

(8) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund, was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield (Wellmark).

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 Wellmark from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an internal service fund. The County's contribution to the fund for the year ended June 30, 2014 was \$564,572.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 33,330
Interest on net OPEB obligation.....	1,562
Adjustment to annual required contribution.....	<u>(2,887)</u>
Annual OPEB Cost	32,005
Contributions made	<u>13,344</u>
Increase in Net OPEB Obligation	18,661
Net OPEB Obligation - Beginning of Year.....	<u>60,897</u>
Net OPEB Obligation - End of Year	<u>\$ 79,558</u>

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

For the year ended June 30, 2014, the County contributed \$13,344 to the medical plan and plan members eligible for benefits contributed \$14,568, or 52%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 32,004	41.7%	\$ 79,604
June 30, 2013	32,417	41.2	60,897
June 30, 2014	32,005	41.7	79,558

Funded Status and Funding Progress

As of July 26, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$255,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$255,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,424,000 and the ratio of the UAAL to the covered payroll was 7.45%. As of June 30, 2014, there were no trust fund assets.

(9) Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions

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

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

As of the July 26, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% investment rate of return and an annual healthcare cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and selection rates were 30% and 80%, respectively. The aging curve is based on the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are approximately \$520 per month per retiree. The UAAL is being amortized as a level percentage of projected payroll expense over 30 years.

(10) Risk Management

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

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

Notes to the Financial Statements

(10) Risk Management

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$80,306.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event casualty claims, property loss or series of claims or losses, exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to the Financial Statements

(11) Operating Leases

The County leases two buildings where the County Attorney and Veteran Affairs Commission conduct their operations. In addition, the County leases two storage facilities and three vehicles. The lease arrangements are on a month-to-month basis and total rent paid was \$10,802 for the year ended June 30, 2014.

The County also leases the building where the Public Health Department conducts its operations. This building is under an operating lease which expires July 1, 2015, at which time the County will purchase the building for \$326,000. The County pays rent plus a portion of property taxes and snow removal. Total rent paid was \$12,000 for the year ended June 30, 2014.

Rental expense for all operating leases was \$22,802 for the year ended June 30, 2014.

(12) Construction Commitment

The County has entered into a contract totaling approximately \$3,365,000 for the construction of a new wastewater and water treatment facility. As of June 30, 2014, approximately \$31,000 remained on the contract. The project will be completed during the fiscal year ending June 30, 2015.

On March 10, 2014, the County also approved a contract for approximately \$1,227,000 for road and bridge construction. All work on this project will take place in fiscal year 2015.

(13) Subsequent Events

Management has evaluated subsequent events through February 25, 2015, the date which the financial statements were available to be issued.

(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 during the 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 may include a significant liability for the County's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds

Year Ended June 30, 2014

	Actual	Less Funds Not Required to be Budgeted	Net	Budget		Over (Under) Final Budget
				Original	Final	
Receipts						
Property and other						
county tax	\$ 6,951,512	\$ —	\$ 6,951,512	\$ 7,089,063	\$ 7,089,063	\$ (137,551)
Interest and penalty						
on property tax.....	23,217	—	23,217	23,523	23,523	(306)
Intergovernmental	4,179,914	—	4,179,914	5,397,646	5,734,364	(1,554,450)
Licenses and permits ..	27,050	—	27,050	19,694	19,694	7,356
Charges for service	289,565	—	289,565	293,761	293,761	(4,196)
Use of money and						
property	103,476	—	103,476	196,804	196,804	(93,328)
Miscellaneous	1,560,363	43,297	1,517,066	364,862	364,862	1,152,204
Total Receipts	<u>13,135,097</u>	<u>43,297</u>	<u>13,091,800</u>	<u>13,385,353</u>	<u>13,722,071</u>	<u>(630,271)</u>
Disbursements						
Public safety and						
legal services.....	2,574,021	—	2,574,021	2,171,615	2,598,333	(24,312)
Physical health and						
social services	843,645	—	843,645	1,099,037	1,099,037	(255,392)
Mental health.....	279,915	—	279,915	386,680	418,330	(138,415)
County environment						
and education.....	778,861	—	778,861	886,302	886,302	(107,441)
Roads and trans-						
portation.....	3,252,672	—	3,252,672	3,425,000	3,425,000	(172,328)
Governmental						
services to residents..	341,299	—	341,299	389,278	389,278	(47,979)
Administration	1,294,957	—	1,294,957	1,402,504	1,402,504	(107,547)
Nonprogram	256,141	256,141	—	—	—	—
Debt service	1,608,045	—	1,608,045	1,823,163	1,823,163	(215,118)
Capital projects	3,253,270	—	3,253,270	6,222,239	6,367,239	(3,113,969)
Total Disbursements	<u>14,482,826</u>	<u>256,141</u>	<u>14,226,685</u>	<u>17,805,818</u>	<u>18,409,186</u>	<u>(4,182,501)</u>
Receipts Under						
 Disbursements.....	(1,347,729)	(212,844)	(1,134,885)	(4,420,465)	(4,687,115)	3,552,230
Other Financing						
 Sources, Net.....	<u>31,188</u>	<u>—</u>	<u>31,188</u>	<u>500</u>	<u>6,138,175</u>	<u>(6,106,987)</u>
Receipts and Other						
 Financing Sources						
 Over (Under)						
 Disbursements and						
 Other Financing Uses	(1,316,541)	(212,844)	(1,103,697)	(4,419,965)	1,451,060	<u>\$ (2,554,757)</u>
Balance - Beginning						
of Year	<u>11,815,397</u>	<u>317,546</u>	<u>11,497,851</u>	<u>6,421,956</u>	<u>6,421,956</u>	
Balance - End of Year	<u>\$ 10,498,856</u>	<u>\$ 104,702</u>	<u>\$ 10,394,154</u>	<u>\$ 2,001,991</u>	<u>\$ 7,873,016</u>	

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds

Year Ended June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services; physical health and social services; mental health; county environment and education; roads and transportation; governmental services to residents; administration; nonprogram; debt service; and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$603,368. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted by function; however, disbursements in certain departments exceeded the amounts appropriated.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬▬▬

Year Ended June 30, 2014

	<u>Governmental Fund Types</u>		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 13,135,097	\$ 253,129	\$ 13,388,226
Expenditures	<u>14,482,826</u>	<u>(1,569,106)</u>	<u>12,913,720</u>
Net.....	(1,347,729)	1,822,235	474,506
Other financing sources (uses).....	31,188	(2,061,728)	(2,030,540)
Beginning fund balances	11,815,397	(461,894)	11,353,503
Decrease in reserve for inventories	<u>—</u>	<u>(20,545)</u>	<u>(20,545)</u>
Ending Fund Balances	<u>\$ 10,498,856</u>	<u>\$ (721,932)</u>	<u>\$ 9,776,924</u>

Schedule of Funding Progress for the Retiree Health Plan ---

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	7-1-09	\$ —	\$ 305,000	\$ 305,000	0%	\$ 2,711,000	11.25%
2011	7-1-09	—	305,000	305,000	0	2,814,000	10.84
2012	7-26-12	—	255,000	255,000	0	2,997,000	8.51
2013	7-26-12	—	255,000	255,000	0	3,022,690	8.45
2014	7-26-12	—	255,000	255,000	0	3,424,000	7.45

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information 

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Assets							
Cash, cash equivalents and pooled investments	\$ 155,124	\$ 90,681	\$ 7,146	\$ 594	\$ 4,111	\$ 100,924	\$ 55,748
Receivables							
Property Tax							
Delinquent	229	—	—	—	—	—	—
Succeeding year	325,221	—	—	—	—	—	—
Accounts.....	—	—	302	—	—	—	—
Accrued interest.....	—	—	—	—	—	—	—
Due from other governments.....	—	—	—	—	—	—	—
Total Assets	<u>\$ 480,574</u>	<u>\$ 90,681</u>	<u>\$ 7,448</u>	<u>\$ 594</u>	<u>\$ 4,111</u>	<u>\$ 100,924</u>	<u>\$ 55,748</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other governments	38	—	—	3	—	—	—
Total Liabilities.....	<u>38</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax	325,221	—	—	—	—	—	—
Other	229	—	—	—	—	—	—
Total Deferred Inflows of Resources.....	<u>325,450</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balances							
Restricted for							
Mental health purposes	155,086	—	—	—	—	—	—
Drainage district purposes	—	—	—	—	—	—	—
Other purposes.....	—	90,681	7,448	591	4,111	100,924	55,748
Total Fund Balances.....	<u>155,086</u>	<u>90,681</u>	<u>7,448</u>	<u>591</u>	<u>4,111</u>	<u>100,924</u>	<u>55,748</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 480,574</u>	<u>\$ 90,681</u>	<u>\$ 7,448</u>	<u>\$ 594</u>	<u>\$ 4,111</u>	<u>\$ 100,924</u>	<u>\$ 55,748</u>

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue					Total
	Iowa Ethanol Bond	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	
Assets						
Cash, cash equivalents and pooled investments	\$ 22,275	\$ 1,668	\$ 4,851	\$ 213,214	\$ 104,703	\$ 761,039
Receivables						
Property Tax						
Delinquent	—	—	—	—	—	229
Succeeding year	—	—	—	644	—	325,865
Accounts.....	—	—	—	—	—	302
Accrued interest.....	1,011	—	—	1,087	—	2,098
Due from other governments.....	—	—	—	187,001	—	187,001
Total Assets	\$ 23,286	\$ 1,668	\$ 4,851	\$ 401,946	\$ 104,703	\$ 1,276,534
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ —	\$ —	\$ —	\$ 280,501	\$ 41,881	\$ 322,382
Due to other governments	—	—	—	—	—	41
Total Liabilities.....	—	—	—	280,501	41,881	322,423
Deferred Inflows of Resources						
Unavailable Revenue						
Succeeding year property tax	—	—	—	644	—	325,865
Other	—	—	—	—	—	229
Total Deferred Inflows of Resources.....	—	—	—	644	—	326,094
Fund Balances						
Restricted for						
Mental health purposes	—	—	—	—	—	155,086
Drainage district purposes	—	—	—	—	62,822	62,822
Other purposes.....	23,286	1,668	4,851	120,801	—	410,109
Total Fund Balances.....	23,286	1,668	4,851	120,801	62,822	628,017
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	\$ 23,286	\$ 1,668	\$ 4,851	\$ 401,946	\$ 104,703	\$ 1,276,534

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Revenue							
Property and other county tax.....	\$ 342,588	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest and penalty on property tax	8	—	—	—	—	—	—
Intergovernmental	15,455	12,257	—	—	—	—	—
Charges for service	—	—	1,404	—	—	10,722	3,760
Use of money and property	—	139	20	—	—	—	—
Miscellaneous.....	60	—	—	—	—	—	—
Total Revenue	<u>358,111</u>	<u>12,396</u>	<u>1,424</u>	<u>—</u>	<u>—</u>	<u>10,722</u>	<u>3,760</u>
Expenditures							
Operating							
Public safety and legal services.....	—	—	—	1,405	—	—	104
Mental health.....	279,074	—	—	—	—	—	—
Nonprogram	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Capital projects.....	—	121	—	—	—	—	—
Total Expenditures	<u>279,074</u>	<u>121</u>	<u>—</u>	<u>1,405</u>	<u>—</u>	<u>—</u>	<u>104</u>
Revenue Over (Under) Expenditures	<u>79,037</u>	<u>12,275</u>	<u>1,424</u>	<u>(1,405)</u>	<u>—</u>	<u>10,722</u>	<u>3,656</u>
Other Financing Sources							
Operating transfers in.....	—	—	—	1,405	—	—	—
Net Change in Fund Balances	79,037	12,275	1424	—	—	10,722	3,656
Fund Balances - Beginning of Year	76,049	78,406	6,024	591	4,111	90,202	52,092
Fund Balances - End of Year	<u>\$ 155,086</u>	<u>\$ 90,681</u>	<u>\$ 7,448</u>	<u>\$ 591</u>	<u>\$ 4,111</u>	<u>\$ 100,924</u>	<u>\$ 55,748</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue					
	Iowa Ethanol Bond	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	Total
Revenue						
Property and other county tax.....	\$ —	\$ —	\$ —	\$ 1,238	\$ —	\$ 343,826
Interest and penalty on property tax	—	—	—	—	—	8
Intergovernmental	—	—	—	714,734	—	742,446
Charges for service	—	—	—	—	—	15,886
Use of money and property	2,168	5,000	—	5,236	—	12,563
Miscellaneous.....	—	—	—	—	43,297	43,357
Total Revenue	<u>2,168</u>	<u>5,000</u>	<u>—</u>	<u>721,208</u>	<u>43,297</u>	<u>1,158,086</u>
Expenditures						
Operating						
Public safety and legal services.....	—	4,075	671	—	—	6,255
Mental health.....	—	—	—	—	—	279,074
Nonprogram	—	—	—	—	290,614	290,614
Debt service	101,782	—	—	—	—	101,782
Capital projects.....	—	—	—	1,171,459	—	1,171,580
Total Expenditures	<u>101,782</u>	<u>4,075</u>	<u>671</u>	<u>1,171,459</u>	<u>290,614</u>	<u>1,849,305</u>
Revenue Over (Under) Expenditures	<u>(99,614)</u>	<u>925</u>	<u>(671)</u>	<u>(450,251)</u>	<u>(247,317)</u>	<u>(691,219)</u>
Other Financing Sources						
Operating transfers in	—	—	—	—	—	1,405
Net Change in Fund Balances	(99,614)	925	(671)	(450,251)	(247,317)	(689,814)
Fund Balances - Beginning of Year	122,900	743	5,522	571,052	310,139	1,317,831
Fund Balances - End of Year	<u>\$ 23,286</u>	<u>\$ 1,668</u>	<u>\$ 4,851</u>	<u>\$ 120,801</u>	<u>\$ 62,822</u>	<u>\$ 628,017</u>

See accompanying notes to the financial statements.

Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds

Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets											
Cash, Cash Equivalents and Pooled Investments											
County Treasurer.....	\$ —	\$ 1,286	\$ 391,090	\$ 51,429	\$ 2,821	\$ 25,212	\$ 498	\$ 4,206	\$ 186,229	\$ 473,318	\$ 1,136,089
Other county officials	21,788	—	—	—	—	—	—	—	—	—	21,788
Receivables											
Property Tax											
Delinquent	—	106	128	2,501	234	3,008	64	3,415	—	1	9,457
Succeeding year	—	149,004	176,565	6,074,293	318,143	1,561,348	115,916	—	—	1,639	8,396,908
Accounts.....	—	—	—	—	—	—	—	—	—	20,664	20,664
Total Assets	\$ 21,788	\$ 150,396	\$ 567,783	\$ 6,128,223	\$ 321,198	\$ 1,589,568	\$ 116,478	\$ 7,621	\$ 186,229	\$ 495,622	\$ 9,584,906
Liabilities											
Accounts payable	\$ —	\$ —	\$ 176	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,600	\$ 3,776
Due to other governments	12,255	150,396	566,416	6,128,223	321,198	1,589,568	116,478	7,621	186,229	469,833	9,548,217
Trusts payable.....	9,533	—	—	—	—	—	—	—	—	22,189	31,722
Compensated absences.....	—	—	1,191	—	—	—	—	—	—	—	1,191
Total Liabilities	\$ 21,788	\$ 150,396	\$ 567,783	\$ 6,128,223	\$ 321,198	\$ 1,589,568	\$ 116,478	\$ 7,621	\$ 186,229	\$ 495,622	\$ 9,584,906

See accompanying notes to the financial statements.

**Combining Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds**

Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets and Liabilities											
Balances - Beginning of Year	<u>\$ 30,756</u>	<u>\$ 155,614</u>	<u>\$ 553,708</u>	<u>\$ 6,348,335</u>	<u>\$ 341,582</u>	<u>\$ 1,672,450</u>	<u>\$ 115,866</u>	<u>\$ 5,137</u>	<u>\$ 153,683</u>	<u>\$ 440,902</u>	<u>\$ 9,818,033</u>
Additions											
Property and other county tax.....	—	155,125	183,929	6,320,201	331,580	1,592,406	121,759	—	—	5,580	8,710,580
E911 surcharge	—	—	—	—	—	—	—	—	—	95,455	95,455
State tax credits.....	—	5,887	7,088	233,599	12,921	95,605	3,965	—	—	64	359,129
Office fees and collections.....	184,584	—	—	—	—	—	—	—	—	1,404	185,988
Auto licenses, use tax and postage	—	—	—	—	—	—	—	—	2,336,974	—	2,336,974
Assessments	—	—	—	—	—	—	—	11,414	—	—	11,414
Trusts	122,812	—	—	—	—	—	—	—	—	132,660	255,472
Miscellaneous.....	37	—	—	—	—	—	—	—	—	137,971	138,008
Total Additions	<u>307,433</u>	<u>161,012</u>	<u>191,017</u>	<u>6,553,800</u>	<u>344,501</u>	<u>1,688,011</u>	<u>125,724</u>	<u>11,414</u>	<u>2,336,974</u>	<u>373,134</u>	<u>12,093,020</u>
Deductions											
Agency Remittances											
To other funds	88,134	—	3,117	—	—	—	—	—	71,176	14	162,441
To other governments.....	103,871	166,230	173,825	6,773,912	364,885	1,770,893	125,112	8,930	2,233,252	201,792	11,922,702
Trusts paid out.....	124,396	—	—	—	—	—	—	—	—	116,608	241,004
Total Deductions.....	<u>316,401</u>	<u>166,230</u>	<u>176,942</u>	<u>6,773,912</u>	<u>364,885</u>	<u>1,770,893</u>	<u>125,112</u>	<u>8,930</u>	<u>2,304,428</u>	<u>318,414</u>	<u>12,326,147</u>
Balances - End of Year.....	<u>\$ 21,788</u>	<u>\$ 150,396</u>	<u>\$ 567,783</u>	<u>\$ 6,128,223</u>	<u>\$ 321,198</u>	<u>\$ 1,589,568</u>	<u>\$ 116,478</u>	<u>\$ 7,621</u>	<u>\$ 186,229</u>	<u>\$ 495,622</u>	<u>\$ 9,584,906</u>

Schedule of Revenue by Source and Expenditures by Function
All Governmental Funds

Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Property and other county tax.....	\$ 7,003,259	\$ 7,531,561	\$ 5,923,942	\$ 5,671,567	\$ 4,987,227	\$ 4,706,289	\$ 4,660,501	\$ 4,817,961	\$ 3,786,710	\$ 3,251,269
Interest and penalty on property tax	23,217	25,914	23,635	24,323	26,506	23,738	23,306	22,208	26,313	24,938
Intergovernmental	4,486,333	3,912,826	4,668,953	3,264,010	2,951,595	2,854,887	3,126,322	3,109,154	3,162,052	3,771,851
Licenses and permits.....	27,020	13,895	18,819	20,665	16,972	28,226	13,393	6,791	7,753	4,018
Charges for service	287,886	304,346	292,826	278,992	319,045	270,134	280,340	269,487	262,579	292,122
Use of money and property	78,883	85,733	88,645	206,083	242,562	213,271	279,526	298,995	212,418	108,187
Miscellaneous.....	<u>1,481,628</u>	<u>797,127</u>	<u>472,137</u>	<u>552,144</u>	<u>471,382</u>	<u>793,595</u>	<u>601,495</u>	<u>530,999</u>	<u>446,046</u>	<u>575,354</u>
Total Revenue	<u>\$ 13,388,226</u>	<u>\$ 12,671,402</u>	<u>\$ 11,488,957</u>	<u>\$ 10,017,784</u>	<u>\$ 9,015,289</u>	<u>\$ 8,890,140</u>	<u>\$ 8,984,883</u>	<u>\$ 9,055,595</u>	<u>\$ 7,903,871</u>	<u>\$ 8,027,739</u>
Expenditures										
Operating										
Public safety and legal services	\$ 2,546,765	\$ 2,087,278	\$ 1,942,278	\$ 1,743,066	\$ 1,544,558	\$ 1,479,750	\$ 1,353,072	\$ 1,361,097	\$ 1,141,572	\$ 1,144,281
Physical health and social services	847,575	855,672	913,467	942,364	926,164	885,577	929,359	983,323	951,470	886,674
Mental health	279,074	586,020	933,217	762,167	723,653	809,141	876,387	885,789	881,146	769,579
County environment and education.....	791,661	735,599	782,149	759,665	726,114	1,177,175	1,043,541	573,119	511,767	593,839
Roads and transportation	3,231,062	2,342,770	3,065,856	2,918,561	3,421,626	2,295,692	2,495,760	2,968,455	2,191,910	2,651,749
Governmental services to residents	341,498	349,489	326,019	312,780	306,064	311,396	265,543	266,808	261,798	257,646
Administration	1,323,906	1,198,691	1,082,024	1,180,213	921,540	1,035,640	831,601	800,019	664,192	595,584
Nonprogram	290,614	149,420	147,213	145,709	79,278	65,758	85,217	106,584	110,602	124,566
Debt service	1,560,095	1,262,699	1,184,042	797,891	714,712	604,313	473,991	344,496	207,523	124,704
Capital projects.....	<u>1,701,470</u>	<u>2,177,157</u>	<u>3,086,172</u>	<u>3,575,434</u>	<u>4,908,343</u>	<u>2,471,810</u>	<u>526,122</u>	<u>589,045</u>	<u>242,341</u>	<u>895,667</u>
Total Expenditures	<u>\$ 12,913,720</u>	<u>\$ 11,744,795</u>	<u>\$ 13,462,437</u>	<u>\$ 13,137,850</u>	<u>\$ 14,272,052</u>	<u>\$ 11,136,252</u>	<u>\$ 8,880,593</u>	<u>\$ 8,878,735</u>	<u>\$ 7,164,321</u>	<u>\$ 8,044,289</u>

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Certified Public Accountants and Consultants

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

Board of Supervisors
Worth County
Northwood, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 25, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses 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 we consider to be material weaknesses and another deficiency in internal control we considered to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 14-I-R-1, 14-I-R-2 and 14-I-R-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 14-I-R-4 to be a significant deficiency.

Compliance and Other Matters

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

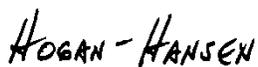
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

Worth County's Responses to Findings

Worth County's responses to the findings identified in our audit are described in the accompanying schedule of findings. Worth 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 results 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 communication is not suitable for any other purpose.



HOGAN - HANSEN

Mason City, Iowa
February 25, 2015

Schedule of Findings

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies

14-I-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated. For example, we noted various functions are done by the same person at the Auditor, Treasurer, Recorder and Sheriff offices. The potential effect of this material weakness is that a material misstatement or fraud could occur and not be prevented or detected and corrected in a timely manner.

We recognize that with a limited number of office employees, segregation of duties is difficult. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We have reviewed the procedures as suggested. We are in the process of cross training employees to further segregate duties.

Auditor's Conclusion - Response accepted.

14-I-R-2 Financial Reporting

Prior Year Finding and Recommendation - During the audit, we identified material amounts of accounts receivable, accounts payable, bond proceeds, bond refunding and capital asset additions not recorded or incorrectly recorded in the County's financial statements. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 and included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 and included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process, were not always included in the capital asset listing at the proper acquisition value.

The effect of this material weakness is that material errors could occur within the conversion from the cash basis to accrual basis of accounting. The County should implement procedures to ensure all receivables, payables, capital asset additions, infrastructure and related depreciation are identified and included in the County's financial statements.

Schedule of Findings

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We will adjust our financial statements to properly include those amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Auditor's Conclusion - Response accepted.

14-I-R-3 Financial Statement Preparation

Prior Year Finding and Recommendation - The County does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many organizations of this size, the County has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles. We recommend that management consider ways in which to add their knowledge of the requirements of generally accepted accounting principles through reading professional literature or attending education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - The County will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

14-I-R-4 Budget Process

Prior Year Finding and Recommendation - The budget is an important and useful financial tool for the County to monitor spending over the various departments and could potentially identify improper spending in individual departments or functions. We noted that the wastewater treatment project was budgeted in the governmental funds and should have been budgeted as an enterprise fund and several other functional expense categories were over budgeted by very large amounts. We recommend that each department reasonably budget their expenditures and that the Auditor monitor the budget throughout the year to assure each department is staying within their budget. Large variances over or under the budget should be investigated and corrected in subsequent budget amendments.

Current Year Finding - We found the same condition exists.

County's Response - The County will monitor its budget more closely and make amendments as necessary to ensure the budget is being complied with properly.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Instances of Noncompliance

There were no instances of noncompliance reported.

Part II: Other Findings Related to Statutory Reporting

14-II-A Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted; however, disbursements in certain departments exceeded the amounts appropriated prior to amending.

Auditor's 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.

County's Response - We will monitor appropriations by department more closely.

Auditor's Conclusion - Response accepted.

14-II-B Questionable Expenditures - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-II-C Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

14-II-D Business Transactions - Business transactions between the County and County officials and employees which may be conflicts of interest are as follows:

Name, Title and Business Connection	Transaction Description	Amount
Abrams Drainage, owned by son of Ken Abrams of the Board of Supervisors	Drainage tiling and repair	\$ 23,492

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Abrams Drainage do not appear to represent conflicts of interest since services provided were competitively bid.

14-II-E Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

14-II-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

14-II-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

14-II-H 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).

Schedule of Findings

14-II-I Economic Development - During the year ended June 30, 2014, the County expended \$164,577 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

14-II-J 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 the statements of net position or activities.

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

14-II-K Separately Maintained Accounts

Finding - We noted accounts for the Sheriff's Department, including Reserve Officers, were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

Auditor's Recommendation - These accounts should be turned over to the Treasurer and special revenue funds should be established for these accounts. These funds should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

County's Response - We will consider doing this.

Auditor's Conclusion - Response accepted.

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

13-II-M Emergency Management Commission Budget - The disbursements in the Emergency Management Commission Fund exceeded the amounts budgeted.

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before the disbursements were allowed to exceed the budget.

County's Response - We will amend the Emergency Management Commission's budget when required.

Auditor's Conclusion - Response accepted.

13-II-N E911 Service Board Budget - The disbursements in the E911 Service Board Fund exceeded the amounts budgeted.

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before the disbursements were allowed to exceed the budget.

County's Response - We will amend the E911 Service Board Fund when required.

Auditor's Conclusion - Response accepted.