

BUCHANAN COUNTY
Independence, Iowa

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

June 30, 2015

BUCHANAN COUNTY
Independence, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-12
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position.....	A..... 13-14
Statement of Activities.....	B..... 15
Governmental Funds Financial Statements:	
Balance Sheet.....	C..... 16-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D..... 20
Statement of Revenues, Expenditures and Changes in Fund Balances.....	E..... 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F..... 23-24
Proprietary Fund Financial Statements:	
Statement of Net Position.....	G..... 25
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	H..... 26
Statement of Cash Flows.....	I..... 27
Fiduciary Fund Financial Statement	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J..... 28
Notes to Financial Statements	29-54
 REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds.....	55
Budget to GAAP Reconciliation.....	56
Notes to Required Supplementary Information – Budgetary Reporting	57
Schedule of the County’s Proportionate Share of the Net Pension Liability	58
Schedule of County Contributions.....	59-60
Notes to Required Supplementary Information – Pension Liability	61-62
Schedule of Funding Progress for Retiree Health Plan	63

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	70-71
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds.....	5	72-73
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 <i>GOVERNMENT AUDITING STANDARDS</i>		74-75
SCHEDULE OF FINDINGS		76-80

BUCHANAN COUNTY
Independence, Iowa

OFFICIALS

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ralph Kremer	Board of Supervisors.....	January 2015
Gary Gissel.....	Board of Supervisors.....	January 2015
Ellen Gaffney	Board of Supervisors.....	January 2017
Cindy Gosse	County Auditor	January 2017
Amy Wright.....	County Treasurer.....	January 2015
Diane Curry	County Recorder	January 2015
Bill Wolfgram.....	County Sheriff.....	January 2017
Shawn Harden	County Attorney	January 2015
Brad Harms	County Assessor	Appointed

(After January 2015)

Ellen Gaffney	Board of Supervisors.....	January 2017
Gary Gissel.....	Board of Supervisors.....	January 2019
Don Shonka	Board of Supervisors.....	January 2019
Cindy Gosse	County Auditor	January 2017
Amy Wright.....	County Treasurer.....	January 2019
Diane Curry	County Recorder	January 2019
Bill Wolfgram.....	County Sheriff.....	January 2017
Shawn Harden	County Attorney	January 2019
Brad Harms	County Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report

To the Officials of Buchanan County
Independence, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Buchanan County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 – 12 and 55 – 63 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Buchanan County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplemental information included in Schedules 1 to 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of Buchanan County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buchanan County, Iowa's internal control over financial reporting and compliance.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Buchanan 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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 20.06%, or approximately \$4,121,022, from fiscal 2014 to fiscal 2015. Property tax decreased approximately \$101,885, charges for services decreased \$187,481, operating grants decreased by \$15,403, and capital grants and contributions decreased approximately \$4,052,933.
- Program expenses were 3.98% or approximately \$637,502, less in fiscal 2015 than in fiscal 2014. Roads and Transportation expense decreased approximately \$164,199 while Nonprogram expense decreased \$448,545.
- The County's net position increased 2.92% or approximately \$1,060,555, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Buchanan 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 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 Buchanan County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, 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, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 and emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Buchanan County's combined net position increased from a year ago, from \$36,372,743 to \$37,433,298. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and Other Assets	\$17,946	\$18,608
Capital Assets	38,481	37,825
Total Assets	56,427	56,433
Deferred Outflows of Resources	672	0
Long-Term Debt Outstanding	10,824	8,882
Other Liabilities	710	1,134
Total Liabilities	11,534	10,016
Deferred Inflows of Resources	8,132	6,984
Net Position:		
Net Investment in Capital Assets	34,065	33,201
Restricted	8,298	8,392
Unrestricted	(4,930)	(2,160)
Total Net Position	\$37,433	\$39,433

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of Buchanan County’s governmental activities increased 2.92% (\$37,433,298 compared to \$36,372,743). The largest portion of the County’s net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased from approximately \$(2,160,171) at June 30, 2014 to \$(4,929,670) at the end of this year, a substantial decrease.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$3,060,024 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,083	\$ 2,270
Operating Grants, Contributions and Restricted Interest	4,456	4,471
Capital Grants, Contributions and Restricted Interest	1,062	5,115
General Revenues:		
Property Tax	6,948	7,050
Penalty and Interest on Property Tax	62	54
State Tax Credits	490	377
Local Option Sales Tax	932	923
Unrestricted Investment Earning	40	42
Other General Revenues	352	245
Total Revenues	16,425	20,547

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position of Governmental Activities (Continued)
(Expressed in Thousands)

	Year Ended June 30,	
	2015	2014 (Not Restated)
Program Expenses:		
Public Safety and Legal Services	\$ 3,451	\$ 3,433
Physical Health and Social Services	542	553
Mental Health	1,067	991
County Environment and Education	1,040	1,123
Roads and Transportation	6,703	6,867
Governmental Services to Residents	663	650
Administration	1,400	1,427
Non-Program	221	670
Interest on Long-Term Debt	278	289
Total Expenses	15,365	16,003
Increase in Net Position	1,060	4,544
Net Position Beginning of Year, as Restated	36,373	34,889
Net Position End of Year	\$37,433	\$39,433

The results of governmental activities for the year resulted in Buchanan County's net position increasing by approximately \$1,060,555. Revenues for governmental activities decreased by approximately \$4,121,022 from the prior year, with operating and capital grant revenue down from the prior year by approximately \$4,068,336.

The cost of all governmental activities this year was \$15,365,160 compared to \$16,002,662 last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$7,765,065 because some of the cost was paid by those directly benefiting from the programs \$2,082,558 or by other governments and organizations that subsidized certain programs with grants and contributions \$5,517,537. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in 2015 from approximately \$11,855,912 to \$7,600,095. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,947,994 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$9,934,374, a decrease of \$440,094 from last year's total of \$10,374,468. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed a slight decrease of \$98,637 from the prior year to \$2,269,260.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$728,824. The Mental Health Fund balance at year end increased by approximately \$470,461 from the prior year.
- The Rural Services Fund revenues decreased slightly while the expenditures increased slightly over the prior year. The ending fund balance showed an increase of \$61,056 from the prior year to \$820,729.
- Secondary Roads Fund expenditures increased by approximately \$490,584 over the prior year. The Secondary Roads Fund ending balance decreased approximately \$773,943.
- The Debt Service Fund showed an increase in fund balance of \$26,300 to end the fiscal year with a balance of \$3,008,890.

BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget one time. The amendment was made in April 2015. The amendment was made for additional grants received in the Public Health Department, Roadside Management Department and Conservation Department; and the unemployment pool fund reimbursement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Buchanan County had approximately \$56,935,911 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,424,248 or 4.45% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 2,790	\$ 2,608
Buildings and Improvements	9,894	9,840
Equipment and Vehicles	8,964	8,556
Intangibles	122	0
Infrastructure	34,407	33,508
Construction in Process	759	0
Total	\$56,936	\$54,512
This year's major additions include		
Infrastructure		\$ 899
Secondary Road Equipment		457
Sheriff Vehicles		70
Total		\$ 1,426

The County had depreciation/amortization expense of \$1,937,695 in fiscal year 2015 and total accumulated depreciation/amortization of \$18,454,703 at June 30, 2015.

The County's fiscal year 2015 capital projects budget included \$1,740,768 for capital projects, principally for the upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2015 Buchanan County had approximately \$7,982,812 in general obligation notes and other debt outstanding compared to approximately \$8,315,154 at June 30, 2014, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014
General Obligation Notes	\$ 60	\$ 71
General Obligation Bonds	7,590	7,870
Installment Purchases	0	43
Compensated Absences	333	331
Total	<u>\$7,983</u>	<u>\$8,315</u>

Buchanan County had general obligation bonds outstanding at June 30, 2015 of \$7,590,000. During 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds with \$3,105,000 to be used to refund the outstanding Jail Bonds which will be callable on June 1, 2017. This refunding was undertaken to reduce total debt service payments by \$154,685 and to obtain an economic gain of \$122,777. The bonds will be paid with property tax revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$92 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Buchanan County's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various county services. One of those factors is the economy. Unemployment in the county stands at 4.1% versus 5.0% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 5.4%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Again this year with the increase in valuations, the county was able to stabilize their levies.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan 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 Buchanan County Auditor's Office, 210 – 5th Avenue NE, City of Independence, Iowa.

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 6,814,285
Receivables:	
Property Tax:	
Delinquent	6,315
Succeeding Year	6,830,306
Interest and Penalty On Property Tax	1,366
Accounts	39,752
Accrued Interest	469
Notes Receivable	151,032
Due From Other Governments	740,808
Resources Held in Escrow for Bond Refunding	2,925,268
Inventories	364,824
Prepaid Insurance	71,708
Capital Assets (Net of Accumulated Depreciation/Amortization)	38,481,208
TOTAL ASSETS	<u>56,427,341</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	<u>672,314</u>
LIABILITIES	
Accounts Payable	542,018
Accrued Interest Payable	22,297
Salaries and Benefits Payable	132,234
Due To Other Governments	13,608
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	11,326
General Obligation Bonds	290,000
Compensated Absences	332,793
Portion Due Or Payable After One Year:	
General Obligation Notes	48,693
General Obligation Bonds	7,300,000
Net Pension Liability	2,146,624
Net OPEB Liability	694,881
TOTAL LIABILITIES	<u>11,534,474</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenues	6,830,306
Pension Related Deferred Inflows	1,301,577
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,131,883</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
NET POSITION	
Net Investment in Capital Assets	\$34,065,207
Restricted For:	
Supplemental Levy Purposes	344,969
Mental Health Purposes	2,270,429
Rural Services Purposes	821,319
Secondary Roads Purposes	1,442,971
Debt Service	2,986,880
Other Purposes	431,193
Unrestricted	<u>(4,929,670)</u>
TOTAL NET POSITION	<u><u>\$37,433,298</u></u>

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Operating Service</u>	<u>Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$ 3,450,916	\$ 535,021	\$ 530	\$ 0	\$ (2,915,365)
Physical Health and Social Services	542,208	416,146	214,529	0	88,467
Mental Health	1,066,783	2,006	198,543	0	(866,234)
County Environment and Education	1,040,008	65,490	139,342	95,000	(740,176)
Roads and Transportation	6,702,628	305,917	3,902,724	966,846	(1,527,141)
Governmental Services to Residents Administration	662,963	345,603	23	0	(317,337)
Administration	1,399,610	249,645	0	0	(1,149,965)
Non-Program	221,760	162,730	0	0	(59,030)
Interest on Long-Term Debt	278,284	0	0	0	(278,284)
TOTAL	<u>\$15,365,160</u>	<u>\$2,082,558</u>	<u>\$4,455,691</u>	<u>\$1,061,846</u>	<u>(7,765,065)</u>
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					6,600,232
Debt Service					347,762
Penalty and Interest on Property Tax					62,488
State Tax Credits					490,449
Local Option Sales Tax					932,247
Unrestricted Investment Earnings					39,577
Miscellaneous					389,717
Loss on Disposal of Capital Assets					(36,852)
TOTAL GENERAL REVENUES					<u>8,825,620</u>
CHANGE IN NET POSITION					1,060,555
NET POSITION BEGINNING OF YEAR, AS RESTATED					<u>36,372,743</u>
NET POSITION END OF YEAR					<u>\$37,433,298</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Special Revenue Mental Health
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$2,188,554	\$2,224,294
Receivables:		
Property Tax:		
Delinquent	3,760	853
Succeeding Year	3,985,186	844,734
Interest and Penalty on Property Tax	1,366	0
Accounts	36,233	0
Accrued Interest	449	0
Notes Receivable	0	0
Due From Other Governments	127,878	57,046
Resources Held in Escrow for Bond Refunding	0	0
Prepaid Insurance	43,048	125
Inventories	0	0
	\$6,386,474	\$3,127,052
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 66,170	\$ 135
Salaries and Benefits Payable	59,219	1,850
Due To Other Governments	3,348	9,779
Total Liabilities	128,737	11,764
Deferred Inflows of Resources:		
Unavailable Revenues:		
Succeeding Year Property Tax	3,985,186	844,734
Other	3,291	2,730
Total Deferred Inflows of Resources	3,988,477	847,464

See Notes To Financial Statements

Exhibit C

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 705,952	\$1,044,472	\$ 83,570	\$104,584	\$ 6,351,426
1,363	0	339	0	6,315
1,553,288	0	447,098	0	6,830,306
0	0	0	0	1,366
200	2,629	0	690	39,752
0	0	0	20	469
0	151,032	0	0	151,032
151,090	404,794	0	0	740,808
0	0	2,925,268	0	2,925,268
766	27,769	0	0	71,708
0	364,824	0	0	364,824
<u>\$2,412,659</u>	<u>\$1,995,520</u>	<u>\$3,456,275</u>	<u>\$105,294</u>	<u>\$17,483,274</u>
\$ 13,672	\$ 334,079	\$ 0	\$ 0	\$ 414,056
23,214	47,951	0	0	132,234
400	81	0	0	13,608
<u>37,286</u>	<u>382,111</u>	<u>0</u>	<u>0</u>	<u>559,898</u>
1,553,288	0	447,098	0	6,830,306
1,356	151,032	287	0	158,696
<u>1,554,644</u>	<u>151,032</u>	<u>447,385</u>	<u>0</u>	<u>6,989,002</u>

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General	Special Revenue Mental Health
Fund Balances:		
Nonspendable:		
Inventories	\$ 0	\$ 0
Prepaid Insurance	43,048	125
Restricted For:		
Supplemental Levy Purposes	344,242	0
Mental Health Purposes	0	2,267,699
Rural Services Purposes	0	0
Secondary Roads Purposes	0	0
Drainage Purposes	0	0
Conservation Land Acquisition Purposes	254,191	0
Debt Service	0	0
Other Purposes	0	0
Assigned for Sheriff	105,466	0
Assigned for Conservation	5,838	0
Unassigned	1,516,475	0
Total Fund Balances	2,269,260	2,267,824
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$6,386,474	 \$3,127,052

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue					
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total	
\$ 0	\$ 364,824	\$ 0	\$ 0	\$ 364,824	
766	27,769	0	0	71,708	
0	0	0	0	344,242	
0	0	0	0	2,267,699	
819,963	0	0	0	819,963	
0	1,069,784	0	0	1,069,784	
0	0	0	4,051	4,051	
0	0	0	0	254,191	
0	0	3,008,890	0	3,008,890	
0	0	0	101,243	101,243	
0	0	0	0	105,466	
0	0	0	0	5,838	
0	0	0	0	1,516,475	
820,729	1,462,377	3,008,890	105,294	9,934,374	
\$2,412,659	\$1,995,520	\$3,456,275	\$105,294	\$17,483,274	

BUCHANAN COUNTY
Independence, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Governmental Fund Balances (Page 19) \$ 9,934,374

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$56,935,911 and the accumulated depreciation/amortization is \$18,454,703. 38,481,208

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 158,696

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 334,897

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred Outflows of Resources	\$ 672,314	
Deferred Inflows of Resources	<u>(1,301,577)</u>	(629,263)

Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (10,846,614)

Net Position of Governmental Activities (Page 15) \$ 37,433,298

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	<u>Special Revenue</u> Mental Health
REVENUES:		
Property and Other County Tax	\$4,061,401	\$ 931,983
Local Option Sales Tax	0	0
Interest and Penalty on Property Tax	62,488	0
Intergovernmental	1,186,384	267,156
Licenses and Permits	165	0
Charges for Service	607,586	0
Use of Money and Property	103,795	0
Miscellaneous	182,077	146
Total Revenues	6,203,896	1,199,285
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	2,281,375	0
Physical Health and Social Services	517,129	0
Mental Health	344,349	728,824
County Environment and Education	583,472	0
Roads and Transportation	54,800	0
Governmental Services to Residents	639,287	0
Administration	1,413,291	0
Non-Program	76,103	0
Debt Service	43,029	0
Capital Projects	164,021	0
Total Expenditures	6,116,856	728,824
Excess (Deficiency) of Revenues Over (Under) Expenditures	87,040	470,461
Other Financing Sources (Uses):		
Sale of Capital Assets	1,323	0
Transfers In	4,000	0
Transfers Out	(191,000)	0
Total Other Financing Sources (Uses)	(185,677)	0
Change in Fund Balances	(98,637)	470,461
Fund Balances Beginning of Year	2,367,897	1,797,363
Increase in Reserve For Inventories	0	0
Fund Balances End of Year	\$2,269,260	\$2,267,824

See Notes To Financial Statements

Exhibit E

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 1,608,470	\$ 0	\$ 347,880	\$ 0	\$ 6,949,734
932,247	0	0	0	932,247
0	0	0	0	62,488
264,311	4,157,293	25,819	116,171	6,017,134
21,871	9,671	0	0	31,707
3,838	0	0	4,397	615,821
160,565	0	32,153	253	296,766
3,544	234,865	0	13,204	433,836
2,994,846	4,401,829	405,852	134,025	15,339,733
1,022,639	0	0	3,482	3,307,496
44,338	0	0	0	561,467
0	0	0	0	1,073,173
465,899	0	0	0	1,049,371
0	5,564,181	0	0	5,618,981
3,437	0	0	28,948	671,672
0	0	0	0	1,413,291
0	0	0	0	76,103
0	0	559,213	4,000	606,242
0	1,145,525	0	155,265	1,464,811
1,536,313	6,709,706	559,213	191,695	15,842,607
1,458,533	(2,307,877)	(153,361)	(57,670)	(502,874)
0	0	0	0	1,323
0	1,472,477	179,661	285	1,656,423
(1,397,477)	0	0	(67,946)	(1,656,423)
(1,397,477)	1,472,477	179,661	(67,661)	1,323
61,056	(835,400)	26,300	(125,331)	(501,551)
759,673	2,236,320	2,982,590	230,625	10,374,468
0	61,457	0	0	61,457
\$ 820,729	\$ 1,462,377	\$3,008,890	\$ 105,294	\$ 9,934,374

**BUCHANAN COUNTY
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

Change in Fund Balances - Total Governmental Funds (Page 22) \$(501,551)

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. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$ 1,824,611	
Capital Assets Contributed by the Iowa Department of Transportation	712,276	
Capital Assets Contributed by Others	95,000	
Depreciation/Amortization Expense	<u>(1,937,695)</u>	694,192

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (38,175)

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

Property Tax	(618)	
Other	<u>153,008</u>	152,390

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 were as follows:

Repaid		334,188
--------	--	---------

See Notes to Financial Statements

BUCHANAN COUNTY
Independence, Iowa

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2015

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. \$ 474,650

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

Compensated Absences	\$ (1,846)	
Other Postemployment Benefits	(127,827)	
Pension Expense	(190,513)	
Interest on Long-Term Debt	<u>929</u>	(319,257)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net position is exhausted. 61,457

The Internal Service Fund is used by management to charge the costs of health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 202,661

Change in Net Position of Governmental Activities (Page 15) \$1,060,555

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Internal Service Employee Group Health
	<hr/>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$462,859
	<hr/> <hr/>
LIABILITIES	
Accounts Payable	127,962
	<hr/>
NET POSITION	
Unrestricted	\$334,897
	<hr/> <hr/>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>Internal Service Employee Group Health</u>
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,757,453
Reimbursements From Employees	104,225
Miscellaneous	65,775
Total Operating Revenues	<u>1,927,453</u>
OPERATING EXPENSES:	
Medical Claims	1,303,940
Insurance Premiums	391,319
Administrative Fees	29,971
Total Operating Expenses	<u>1,725,230</u>
Operating Income	202,223
NON-OPERATING REVENUES:	
Interest on Investments	<u>438</u>
Net Income	202,661
Net Position Beginning of Year	<u>132,236</u>
Net Position End of Year	<u><u>\$ 334,897</u></u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>Internal Service Employee Group Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,757,453
Cash Received From Employees and Others	170,000
Cash Payments To Suppliers For Services	<u>(1,844,985)</u>
Net Cash Provided by Operating Activities	<u>82,468</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>438</u>
 Net Increase in Cash and Cash Equivalents	82,906
 Cash and Cash Equivalents at Beginning of Year	<u>379,953</u>
 Cash and Cash Equivalents at End of Year	<u><u>\$ 462,859</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
 Operating Income	\$ 202,223
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
 Decrease In Accounts Payable	<u>(119,755)</u>
 Net Cash Provided by Operating Activities	<u><u>\$ 82,468</u></u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,255,033
Other County Officials	38,965
Receivables:	
Property Tax:	
Delinquent	3,186
Succeeding Year	21,547,258
Accounts	16,841
Accrued Interest	63
Due from Other Governments	5,837
TOTAL ASSETS	<u>22,867,183</u>

LIABILITIES

Accounts Payable	3,288
Salaries and Benefits Payable	2,444
Due To Other Governments	22,771,531
Trusts Payable	80,136
Compensated Absences	9,784
TOTAL LIABILITIES	<u>22,867,183</u>
NET POSITION	<u>\$ 0</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Buchanan County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Buchanan 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 Buchanan 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.

Two 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 Buchanan 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 Buchanan County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. REPORTING ENTITY (CONTINUED)

Jointly Governed Organizations – The County also 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 Buchanan County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, and Buchanan County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. BASIS OF PRESENTATION

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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 nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for property tax and other revenue to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term 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.

Resources Held in Escrow for Bond Refunding – As part of a crossover bond refunding, the County has resources held by Bankers Trust in an escrow account. They will be held and used to fund the debt service requirements of the refunded debt through June 1, 2017.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Intangibles	25,000
Equipment and Vehicles	5,000

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources on the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Unassigned – All amounts not included in other classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed amounts budgeted.

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$6,116,464, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Notes to Financial Statements (Continued)

Note 2: Cash, Cash Equivalents and Pooled Investments (Continued)

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

Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: REAP	\$ 4,000
Special Revenue: Secondary Roads	General	75,000
	Special Revenue: Rural Services	1,397,477
Special Revenue: Recorder's Records Management	Special Revenue: Recorder's Electronic	285
Debt Service	General	116,000
	Capital Projects	<u>63,661</u>
Total		<u><u>\$1,656,423</u></u>

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 2,608,031	\$ 182,000	\$ 0	\$ 2,790,031
Construction in Process	0	758,874	0	758,874
Total Capital Assets Not Being Depreciated/Amortized	<u>2,608,031</u>	<u>940,874</u>	<u>0</u>	<u>3,548,905</u>
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	9,839,991	54,442	0	9,894,433
Machinery and Equipment	7,438,826	543,221	111,823	7,870,224
Vehicles	1,116,815	71,891	95,816	1,092,890
Intangibles	0	122,345	0	122,345
Infrastructure	33,508,000	899,114	0	34,407,114
	<u>51,903,632</u>	<u>1,691,013</u>	<u>207,639</u>	<u>53,387,006</u>

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	\$ 2,374,373	\$ 222,306	\$ 0	\$ 2,596,679
Machinery and Equipment	4,693,023	412,311	104,795	5,000,539
Vehicles	751,710	115,355	64,669	802,396
Intangibles	0	24,469	0	24,469
Infrastructure	8,867,366	1,163,254	0	10,030,620
	<u>16,686,472</u>	<u>1,937,695</u>	<u>169,464</u>	<u>18,454,703</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>35,217,160</u>	<u>(246,682)</u>	<u>38,175</u>	<u>34,932,303</u>
Governmental Activities Capital Assets, Net	<u>\$37,825,191</u>	<u>\$ 694,192</u>	<u>\$ 38,175</u>	<u>\$38,481,208</u>

Depreciation/Amortization expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 304,104
Physical Health and Social Services	422
Mental Health	7,813
County Environment and Education	65,384
Roads and Transportation	1,491,937
Governmental Services to Residents	9,622
Administration	<u>58,413</u>

Total Depreciation/Amortization Expense – Governmental Activities \$1,937,695

Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 3,348
Special Revenue:		
Mental Health	Services	9,779
Rural Services	Services	400
Secondary Roads	Services	<u>81</u>
Total for Governmental Funds		<u>\$13,608</u>

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments (Continued)

Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$ 198,954
Assessor		456,289
Schools		13,885,069
Community Colleges		882,554
Corporations		5,233,291
Auto License and Use Tax		547,262
All Other		<u>1,568,112</u>
Total for Agency Funds		<u><u>\$22,771,531</u></u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	General Obligation Notes and Bonds	Conservation Notes	Fire Equipment Notes	Voting Equipment Contract	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance Beginning of Year, as Restated	\$7,870,000	\$40,000	\$31,178	\$43,029	\$330,947	\$3,518,105	\$567,054	\$12,400,313
Increases	0	0	0	0	332,793	0	127,827	460,620
Decreases	280,000	4,000	7,159	43,029	330,947	1,371,481	0	2,036,616
Balance End of Year	<u>\$7,590,000</u>	<u>\$36,000</u>	<u>\$24,019</u>	<u>\$ 0</u>	<u>\$332,793</u>	<u>\$2,146,624</u>	<u>\$694,881</u>	<u>\$10,824,317</u>
Due Within One Year	<u>\$ 290,000</u>	<u>\$ 4,000</u>	<u>\$ 7,326</u>	<u>\$ 0</u>	<u>\$332,793</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 634,119</u>

Notes and Bonds Payable

On December 1, 2008, the County issued \$4,550,000 of General Obligation County Jail Bonds, Series 2008. The bonds were issued for the purpose of providing the funds to pay the cost of constructing, furnishing and equipping a County jail and public safety center, which was approved at a special election held on August 21, 2007. Interest ranges from 4.85% to 5.40% over the life of the issue. Interest payments are due semiannually on June 1 and December 1, from 2009 through June 1, 2027. Principal payments are due annually commencing June 1, 2009.

Notes to Financial Statements (Continued)

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

Notes and Bonds Payable (Continued)

During the fiscal year ended June 30, 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds, Series 2012A. The proceeds of the refunding bonds were used to finance \$1,355,000 in construction of Communication Towers and \$3,105,000 was used to crossover refund General Obligation County Jail Bonds, Series 2008, representing the 2018-2027 maturities. These maturities will be called for redemption on June 1, 2017. Until then, the proceeds of the refunding bonds will be deposited in an escrow account at Bankers Trust for purposes of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments of \$154,685 and to obtain an economic gain of \$122,777.

A crossover refunding does not change the County's status as the primary obligor on the refunded debt. Consequently, there is no defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

The proceeds of the refunding bonds were also used to refund \$120,000 in E911 Telephone Surcharge Revenue Notes.

A summary of the County's June 30, 2015 General Obligation Bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.85%	\$ 205,000	\$164,515	\$ 369,515
2017	4.90%	3,055,000	154,573	3,209,573
		<u>\$3,260,000</u>	<u>\$319,088</u>	<u>\$3,579,088</u>
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.00%	\$ 85,000	\$103,040	\$ 188,040
2017	2.00%	90,000	101,340	191,340
2018	2.00%	370,000	99,540	469,540
2019	2.00%	385,000	92,140	477,140
2020	2.00%	395,000	84,440	479,440
2021-2025	2.00-2.50%	2,095,000	288,540	2,383,540
2026-2027	2.65-2.90%	910,000	39,280	949,280
		<u>\$4,330,000</u>	<u>\$808,320</u>	<u>\$5,138,320</u>

Notes to Financial Statements (Continued)

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

Conservation Contract

In August of 2009, the Board approved a contract for the purchase of land into which the Conservation Board entered. The contract was for \$60,000 to be paid in annual installments of \$4,000 for 15 years. The contract is free of interest. A summary of the contract payments as June 30, 2015 is as follows:

Year Ending June 30,	Principal
2016	\$ 4,000
2017	4,000
2018	4,000
2019	4,000
2020	4,000
2021-2024	16,000
	\$36,000

Township Fire Equipment Notes

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Perry Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Perry Township. The interest rate is set at 4.38%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2019.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.38%	\$ 4,111	\$ 348	\$ 4,459
2017	4.38%	4,294	553	4,847
2018	4.38%	4,489	358	4,847
2019	4.38%	2,645	156	2,801
		\$15,539	\$1,415	\$16,954

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Westburg Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Westburg Township. The interest rate is set at 4.30%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2018.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.30%	\$3,215	\$186	\$3,401
2017	4.30%	3,356	263	3,619
2018	4.30%	1,909	115	2,024
		\$8,480	\$564	\$9,044

Notes to Financial Statements (Continued)

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

Voting Equipment Contract

During the fiscal year ended June 30, 2014, the County entered into a contract for the purchase of voting equipment. The contract was for \$129,089 to be paid in annual installments over three years. The contract is free of interest. The County retired all obligations related to the contract during the fiscal year ended June 30, 2015.

Note 7: Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally 55. Sherriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the members' beneficiary will receive a lifetime annuity or a lump-sum payment equal to the resent actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal costs plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$474,650.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$2,146,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0541269, which was a decrease of 0.007146 from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$190,513. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences Between Expected and Actual Experience	\$ 24,926	\$ 37,777
Changes of Assumptions	101,219	32,815
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,230,985
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	71,519	0
County Contributions Subsequent to the Measurement Date	474,650	0
Total	<u>\$672,314</u>	<u>\$1,301,577</u>

\$474,650 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2016	\$ (278,057)
2017	(278,057)
2018	(278,057)
2019	(278,057)
2020	8,313
	<u>\$ (1,103,915)</u>

There were no non-employer contributing entities at IPERS.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 Percent annum.
Rates of Salary Increase (Effective June 30, 2010)	4.00 to 17.00 Percent, Average, Including Inflation. Rates Vary by Membership Group.
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 Percent, Compounded Annually, Net of Investment Expense, Including Inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	100%	

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County’s Proportionate Share of the Net Pension Liability	\$4,949,494	\$2,146,624	\$(216,725)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County reported no payables to the defined benefit pension plan for legally required employer contributions or for legally employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8: Risk Management

Buchanan 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 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$148,532.

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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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.

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 a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, 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.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bonds in the amount of \$1,000,000 and \$20,000, respectively with an additional \$230,000 coverage on the Treasurer. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered by Auxiant. Claims of the employees are submitted to Auxiant who, in turn, bills the plan funds for the necessary amount. The plan is covered by reinsurance to protect the stop-loss of 125% of expected claims.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Auxiant, as the plan administrator, makes monthly payments of service fees and claims processed from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2015 was \$1,757,453.

Amounts payable from the Employee Group Health Fund at June 30, 2015 total \$127,962, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$334,897 at June 30, 2015 and is reported as a designation of the Internal Service, Employee Group Health Fund total net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid Claims Beginning of Year	\$ 247,717
Incurred Claims (Including Claims Incurred But Not Reported at June 30, 2014)	1,303,940
Payments on Claims During Fiscal Year	<u>1,423,695</u>
Unpaid Claims End of Year	<u><u>\$ 127,962</u></u>

Notes to Financial Statements (Continued)

Note 10: 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 114 active and no retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual Required Contribution	\$138,923
Interest on Net OPEB Obligation	14,176
Adjustment to Annual Required Contribution	<u>(25,272)</u>
Annual OPEB Cost	127,827
Contributions Made	<u>0</u>
Increase in Net OPEB Obligation	127,827
Net OPEB Obligation Beginning of the Year	<u>567,054</u>
Net OPEB Obligation End of the Year	<u><u>\$694,881</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0.00% of the premium costs.

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$120,373	4.51%	\$450,446
2014	120,398	3.15	567,054
2015	127,827	0.00	694,881

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,190,565, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,190,565. The covered payroll (annual payroll of active employees covered by the plan) was \$4,792,893, and the ratio of the UAAL to the covered payroll was 24.84%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the 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 the 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of the July 1, 2012 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

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

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

Projected claim costs of the medical plan are \$806 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Commitments and Contingencies

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

Note 12: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2015.

Note 13: 28E Agreement

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2015 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

Note 14: Buchanan County Financial Information Included in the Mental Health/Disability Services of the East Central Region

Mental Health/Disability Services of the East Central Region (MHDS-ECR), a jointly governed organization former pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Johnson County, Jones County and Linn County. The financial activity of Buchanan County's Special Revenue, Mental Health Fund is included in the MHDS-ECR for the year ended June 30, 2015 as follows:

Notes to Financial Statements (Continued)

Note 14: Buchanan County Financial Information Included in the Mental Health/Disability Services of the East Central Region (Continued)

Revenues:

Property and Other County Tax		\$ 931,983
Intergovernmental Revenues:		
State Tax Credits	\$ 68,613	
Medicaid	107,677	
Other Intergovernmental Revenues	90,866	267,156
Miscellaneous		146
Total Revenues		1,199,285

Expenditures:

Services to Persons With:		
Mental Illness	69,039	
Intellectual Disability	10,217	
Other Developmental Disabilities	1,376	80,632
General Administration		
Direct Administration	108,018	
Distribution to Regional Fiscal Agent	540,174	648,192
Total Expenditures		728,824
 Excess of Revenues Over Expenditures		 470,461
 Fund Balance Beginning of the Year		 <u>1,797,363</u>
 Fund Balance End of the Year		 <u><u>\$2,267,824</u></u>

Note 15: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements established 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by the Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Notes to Financial Statements (Continued)

Note 15: Accounting Change/Restatement (Continued)

	<u>Governmental Activities</u>
Net Position June 30, 2014, as Previously Reported	\$39,432,767
Net Pension Liability at June 30, 2014	(3,518,105)
Deferred Outflows of Resources Related to Prior Year Contributions Made After the June 30, 2013 Measurement Date	<u>458,081</u>
Net Position July 1, 2014, as Restated	<u>\$36,372,743</u>

Note 16: Construction Commitments

The County has entered into several contracts for roadway projects. As of June 30, 2015, costs of \$392,904 on the projects have been incurred. The balance remaining on the contracts at June 30, 2015 will be paid as work on the projects progress. The County also has Farm-to-Market construction projects in progress totaling \$365,970.

Note 17: Subsequent Events

Management evaluated subsequent events through March 30, 2016, the date the financial statements were available to be issued.

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

	Actual	Less Funds Not Required To Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 7,876,272	\$ 0	\$ 7,876,272	\$ 7,860,505	\$ 7,860,505	\$ 15,767
Interest and Penalty on Property Tax	61,229	0	61,229	26,000	26,000	35,229
Intergovernmental	5,885,935	0	5,885,935	6,313,492	6,557,142	(671,207)
Licenses and Permits	31,482	0	31,482	34,090	34,090	(2,608)
Charges for Service	633,647	0	633,647	594,780	594,780	38,867
Use of Money and Property	294,564	0	294,564	254,600	254,600	39,964
Miscellaneous	400,197	0	400,197	121,280	256,504	143,693
Total Receipts	<u>15,183,326</u>	<u>0</u>	<u>15,183,326</u>	<u>15,204,747</u>	<u>15,583,621</u>	<u>(400,295)</u>
DISBURSEMENTS:						
Public Safety and Legal Services	3,301,254	0	3,301,254	3,406,463	3,431,708	130,454
Physical Health and Social Services	567,853	0	567,853	625,709	652,653	84,800
Mental Health	1,112,671	0	1,112,671	1,643,897	1,643,897	531,226
County Environment and Education	1,101,599	0	1,101,599	1,119,325	1,180,360	78,761
Roads and Transportation	5,857,953	0	5,857,953	6,245,250	6,245,250	387,297
Governmental Services to						
Residents	677,836	0	677,836	737,827	757,827	79,991
Administration	1,415,249	0	1,415,249	1,594,061	1,608,681	193,432
Non-Program	63,411	0	63,411	85,889	85,889	22,478
Debt Service	606,242	0	606,242	416,751	606,242	0
Capital Projects	1,445,430	0	1,445,430	1,439,000	1,740,768	295,338
Total Disbursements	<u>16,149,498</u>	<u>0</u>	<u>16,149,498</u>	<u>17,314,172</u>	<u>17,953,275</u>	<u>1,803,777</u>
Excess (Deficiency) of Receipts Under Disbursements	(966,172)	0	(966,172)	(2,109,425)	(2,369,654)	1,403,482
Other Financing Sources, Net	1,323	0	1,323	18,000	18,000	(16,677)
Excess (Deficiency) of Receipts and Other Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(964,849)	0	(964,849)	(2,091,425)	(2,351,654)	1,386,805
Balance Beginning of Year	<u>10,241,543</u>	<u>4,051</u>	<u>10,237,492</u>	<u>5,886,418</u>	<u>16,126,496</u>	<u>(5,889,004)</u>
Balance End of Year	<u>\$ 9,276,694</u>	<u>\$4,051</u>	<u>\$ 9,272,643</u>	<u>\$ 3,794,993</u>	<u>\$13,774,842</u>	<u>\$(4,502,199)</u>

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,183,326	\$ 156,407	\$15,339,733
Expenditures	16,149,498	(306,891)	15,842,607
Net	(966,172)	463,298	(502,874)
Other Financing Sources, Net	1,323	0	1,323
Beginning Fund Balances	10,241,543	132,925	10,374,468
Increase in Reserve For Inventories	0	61,457	61,457
Ending Fund Balances	<u>\$ 9,276,694</u>	<u>\$ 657,680</u>	<u>\$ 9,934,374</u>

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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, one budget amendment increased budgeted disbursements by \$639,103. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted.

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's Collective Proportion of the Net Pension Liability (Asset)	0.0541269%
County's Collective Proportionate Share of the Net Pension Liability (Asset)	\$2,147
County's Covered-Employee Payroll	\$4,985
County's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	43.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF COUNTY'S CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily Required Contribution	\$ 475	\$ 458	\$ 423	\$ 406
Contributions in Related to the Statutorily Required Contribution	(475)	(458)	(423)	(406)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
County's Covered-Employee Payroll	\$5,168	\$4,985	\$4,697	\$4,768
Contributions as a Percentage of Covered-Employee Payroll	9.19%	9.19%	9.00%	8.51%

See Accompanying Independent Auditor's Report

2011	2010	2009	2008	2007	2006
\$ 332	\$ 299	\$ 277	\$ 256	\$ 222	\$ 119
(332)	(299)	(277)	(256)	(222)	(119)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$4,420	\$4,249	\$4,128	\$4,031	\$3,577	\$1,929
7.52%	7.04%	6.72%	6.34%	6.22%	6.16%

BUCHANAN COUNTY
Independence, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

June 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
(CONTINUED)

June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

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

REQUIRED SUPPLEMENTARY INFORMATION

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)
2011	July 1, 2009	\$0	\$1,013	\$1,013	0%	\$4,005	24.94%
2012	July 1, 2009	0	1,013	1,013	0	4,279	23.68
2013	July 1, 2012	0	1,265	1,265	0	4,318	29.31
2014	July 1, 2012	0	1,191	1,191	0	4,544	27.85
2015	July 1, 2012	0	1,191	1,191	0	4,793	24.84

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$6,301	\$6,576
Receivables:		
Accounts	0	0
Accrued Interest	0	0
	\$6,301	\$6,576
TOTAL ASSETS	\$6,301	\$6,576
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Fund Balances:		
Restricted For:		
Drainage Purposes	\$ 0	\$ 0
Other Purposes	6,301	6,576
Total Fund Balances	6,301	6,576
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$6,301	\$6,576

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue			
	Recorder's Records Management	Drainage	Total
REAP			
\$84,999	\$2,657	\$4,051	\$104,584
0	690	0	690
19	1	0	20
\$85,018	\$3,348	\$4,051	\$105,294
\$ 0	\$ 0	\$4,051	\$ 4,051
85,018	3,348	0	101,243
85,018	3,348	4,051	105,294
\$85,018	\$3,348	\$4,051	\$105,294

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue	
	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
REVENUES:		
Intergovernmental	\$ 0	\$ 0
Charges for Service	0	0
Use of Money and Property	5	2
Miscellaneous	3,404	9,800
Total Revenues	3,409	9,802
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	215	3,267
Governmental Services to Residents	0	0
Debt Service	0	0
Capital Projects	0	0
Total Expenditures	215	3,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,194	6,535
Other Financing Sources (Uses):		
Transfers In	0	0
Transfers Out	0	0
Total Other Financing Sources (Uses)	0	0
Change in Fund Balances	3,194	6,535
Fund Balances Beginning of Year	3,107	41
Fund Balances End of Year	\$6,301	\$6,576

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue					
REAP	Recorder's Records Management	Recorder's Electronic Transaction	Drainage	Capital Projects	Total
\$16,171	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ 116,171
0	4,397	0	0	0	4,397
221	25	0	0	0	253
0	0	0	0	0	13,204
<u>16,392</u>	<u>4,422</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>134,025</u>
0	0	0	0	0	3,482
0	28,948	0	0	0	28,948
4,000	0	0	0	0	4,000
4,360	0	0	0	150,905	155,265
<u>8,360</u>	<u>28,948</u>	<u>0</u>	<u>0</u>	<u>150,905</u>	<u>191,695</u>
<u>8,032</u>	<u>(24,526)</u>	<u>0</u>	<u>0</u>	<u>(50,905)</u>	<u>(57,670)</u>
0	285	0	0	0	285
(4,000)	0	(285)	0	(63,661)	(67,946)
<u>(4,000)</u>	<u>285</u>	<u>(285)</u>	<u>0</u>	<u>(63,661)</u>	<u>(67,661)</u>
4,032	(24,241)	(285)	0	(114,566)	(125,331)
<u>80,986</u>	<u>27,589</u>	<u>285</u>	<u>4,051</u>	<u>114,566</u>	<u>230,625</u>
<u>\$85,018</u>	<u>\$ 3,348</u>	<u>\$ 0</u>	<u>\$4,051</u>	<u>\$ 0</u>	<u>\$ 105,294</u>

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,290	\$150,855	\$ 160,245
Other County Officials	38,965	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	23	37	1,608
Succeeding Year	0	196,641	313,888	13,723,216
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	<u>\$38,965</u>	<u>\$198,954</u>	<u>\$464,780</u>	<u>\$13,885,069</u>
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	1,777	0
Due To Other Governments	593	198,954	456,289	13,885,069
Trusts Payable	38,372	0	0	0
Compensated Absences	0	0	6,714	0
TOTAL LIABILITIES	<u>\$38,965</u>	<u>\$198,954</u>	<u>\$464,780</u>	<u>\$13,885,069</u>

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 10,077 0	\$ 42,351 0	\$ 3,770 0	\$547,262 0	\$ 338,183 0	\$ 1,255,033 38,965
100 872,377 0 0 0	1,303 5,189,637 0 0 0	1 276,533 0 0 0	0 0 0 0 0	114 974,966 16,841 63 5,837	3,186 21,547,258 16,841 63 5,837
<u>\$882,554</u>	<u>\$5,233,291</u>	<u>\$280,304</u>	<u>\$547,262</u>	<u>\$1,336,004</u>	<u>\$22,867,183</u>
\$ 0 0 882,554 0 0	\$ 0 0 5,233,291 0 0	\$ 0 0 280,304 0 0	\$ 0 0 547,262 0 0	\$ 3,288 667 1,287,215 41,764 3,070	\$ 3,288 2,444 22,771,531 80,136 9,784
<u>\$882,554</u>	<u>\$5,233,291</u>	<u>\$280,304</u>	<u>\$547,262</u>	<u>\$1,336,004</u>	<u>\$22,867,183</u>

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS
Year Ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$ 46,746	\$198,378	\$501,471	\$13,830,085
Additions:				
Property and Other County Tax	0	195,100	311,509	13,598,124
E911 Surcharge	0	0	0	0
State Tax Credits	0	14,345	22,175	1,005,655
Office Fees and Collections	476,362	0	0	0
Auto Licenses, Use Tax and Postage Assessments	0	0	0	0
Trusts	577,697	0	0	0
Miscellaneous	0	0	402	0
Total Additions	<u>1,054,059</u>	<u>209,445</u>	<u>334,086</u>	<u>14,603,779</u>
Deductions:				
Agency Remittances:				
To Other Funds	213,501	0	0	0
To Other Governments	257,684	208,869	370,777	14,548,795
Trusts Paid Out	590,655	0	0	0
Total Deductions	<u>1,061,840</u>	<u>208,869</u>	<u>370,777</u>	<u>14,548,795</u>
Balances End of Year	<u>\$ 38,965</u>	<u>\$198,954</u>	<u>\$464,780</u>	<u>\$13,885,069</u>

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Totals
\$874,889	\$5,039,463	\$290,284	\$ 462,623	\$1,205,613	\$22,449,552
865,364	5,033,854	278,160	0	967,364	21,249,475
0	0	0	0	187,212	187,212
63,227	467,231	17,261	0	70,805	1,660,699
0	0	0	0	0	476,362
0	0	0	6,440,971	0	6,440,971
0	0	0	0	34,405	34,405
0	0	0	0	241,472	819,169
0	0	0	0	153,061	153,463
928,591	5,501,085	295,421	6,440,971	1,654,319	31,021,756
0	0	0	209,444	0	422,945
920,926	5,307,257	305,401	6,146,888	1,305,676	29,372,273
0	0	0	0	218,252	808,907
920,926	5,307,257	305,401	6,356,332	1,523,928	30,604,125
\$882,554	\$5,233,291	\$280,304	\$ 547,262	\$1,336,004	\$22,867,183

BUCHANAN COUNTY
Independence, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property and Other County Tax	\$ 7,881,981	\$ 7,975,150	\$ 8,195,046	\$ 7,905,245
Interest and Penalty On Property Tax	62,488	54,124	63,589	59,579
Intergovernmental	6,017,134	5,399,178	5,337,022	6,490,836
Licenses and Permits	31,707	32,760	39,705	21,653
Charges For Service	615,821	606,346	656,029	649,531
Use of Money and Property	296,766	278,858	257,215	205,226
Miscellaneous	433,836	394,156	313,480	282,046
Total	\$15,339,733	\$14,740,572	\$14,862,086	\$15,614,116
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 3,307,496	\$ 3,305,668	\$ 2,942,256	\$ 2,896,649
Physical Health and Social Services	561,467	547,384	542,636	508,636
Mental Health	1,073,173	973,130	1,205,798	3,273,894
County Environment and Education	1,049,371	1,071,924	1,176,417	1,213,999
Roads and Transportation	5,618,981	5,761,263	4,216,840	5,011,077
Governmental Services To Residents	671,672	628,534	621,244	641,217
Administration	1,413,291	1,348,626	1,357,158	1,338,817
Non-Program	76,103	53,291	61,923	320,150
Debt Services	606,242	612,158	750,382	513,914
Capital Projects	1,464,811	664,277	1,312,431	566,064
Total	\$15,842,607	\$14,966,255	\$14,187,085	\$16,284,417

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis

2011	2010	2009	2008	2007	2006
\$ 7,969,006	\$ 7,763,397	\$ 7,533,877	\$ 6,995,987	\$ 6,978,285	\$ 6,468,892
61,434	66,404	63,175	62,457	31,435	60,696
6,797,756	6,164,281	7,651,861	6,377,517	5,972,865	5,662,227
23,400	14,626	19,696	15,005	14,006	16,631
587,311	506,916	528,278	484,404	503,470	515,110
177,227	202,933	297,499	325,461	328,005	258,912
313,183	175,390	248,352	224,273	125,384	215,443
<u>\$15,929,317</u>	<u>\$14,893,947</u>	<u>\$16,342,738</u>	<u>\$14,485,104</u>	<u>\$13,953,450</u>	<u>\$13,197,911</u>
\$ 2,719,842	\$ 2,275,371	\$ 2,262,534	\$ 2,493,996	\$ 1,956,602	\$ 2,493,081
451,923	383,162	303,930	280,727	282,550	159,317
2,850,981	2,845,162	2,982,372	2,874,459	2,815,813	2,504,044
1,141,745	1,095,370	1,218,764	1,228,838	881,996	830,266
4,951,494	3,970,327	5,289,483	4,025,950	3,626,634	4,434,783
606,344	460,838	469,532	462,462	372,033	573,061
1,296,098	1,995,945	2,018,487	1,896,146	1,893,738	1,809,031
67,071	46,214	69,446	53,712	33,522	32,282
386,950	474,103	455,055	104,105	186,343	182,283
1,175,584	3,734,032	3,203,622	169,620	713,308	905,675
<u>\$15,648,032</u>	<u>\$17,280,524</u>	<u>\$18,273,225</u>	<u>\$13,590,015</u>	<u>\$12,762,539</u>	<u>\$13,923,823</u>



Gardiner Thomsen
Certified Public Accountants

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*

To the Officials of Buchanan County
Independence, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Buchanan County, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Buchanan County, Iowa's basic financial statements and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 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.

Buchanan County, Iowa's Response to Findings

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

Purpose of This Report

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

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

Garland Thomsen, P.C.

March 30, 2016
Charles City, Iowa

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2015

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting

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

Criteria – A good financial reporting system to record accounts receivable and capital assets, including construction in progress and infrastructure and the related depreciation calculations.

Condition – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Capital asset additions including construction in progress and infrastructure were not always included in the capital asset listing at the proper acquisition value.

Effect –The accounts receivable listing was not correct. The capital asset listing including construction in progress and infrastructure was not correct.

Cause – Limited Staff.

Recommendation – The County should implement procedures to ensure all accounts receivable, capital assets, construction in progress, infrastructure and related depreciation are recorded correctly in the financial statements.

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

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Findings Related to the Financial Statements (Continued)

C Preparation of Full Disclosure Financial Statements

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

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

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

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

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

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

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

INSTANCES OF NON-COMPLAINE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
2. **Questionable Disbursements** – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures were detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Friends of Fontana Park	Door Prizes for Annual Conservation Volunteer Banquet	\$205
VISA (Bill’s Pizza)	Meal for Volunteer Banquet	539

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting: (Continued)

2. **Questionable Disbursements** According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.
Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.
Response – The Conservation Board approved a Volunteer Recognition Public Purpose Policy on April 21, 2015.
Conclusion – Response accepted.

3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Gary Gissel, Board of Supervisors Part Owner of Gissel Construction	Frame and Install Door for Public Health	\$1,084
Cindy Gosse, County Auditor Stephanie Witt Daughter of Cindy Gosse	Election Worker	284
Phyllis Haisch, Assessor's Office Lloyd Haisch Spouse of Phyllis Haisch	Election Worker	305
Christine Kayser, Community Services Patricia Kayser Mother-in-Law of Christine Kayser	Election Worker	125
Michelle Mangrich, Recorder's Office Marianne Cayouette Mother of Michelle Mangrich	Election Worker	194
Vanessa Tisl, Deputy Auditor Andrea Tisl Daughter of Vanessa Tisl	Election Worker	255
Vanessa Tisl, Deputy Auditor Ashley Tisl Daughter of Vanessa Tisl	Election Worker	265

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting (Continued)

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Gissel Construction, Stephanie Witt, Lloyd Haisch, Patricia Kayser, Marianne Cayouette, Andrea Tisl and Ashley Tisl do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

5. **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on October 27, 2014 to discuss matters relating to the County. The minutes record does not document the vote of each member on the question of holding the closed session as required by chapter 21.5(2) of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – We will record the vote and final action taken in open session as required for all future closed sessions.

Conclusion – Response accepted.

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa or the County’s Investment Policy were noted. However, we noted one instance on non-compliance with Chapter 12C of the Code of Iowa relating to security for deposit of public funds with a credit union. We also noted that amounts on deposit with various financial institutions throughout the year exceeded the maximum approved by the Board of Supervisors in accordance with Chapter 12C.2 of the Code of Iowa.

Recommendation – The County should obtain security in an amount at least 110% of uninsured public funds on deposit with a credit union. The County should ensure that amounts on deposit with financial institutions do not exceed the maximum approved by the Board of Supervisors.

Response – This was an oversight. In the future we will secure uninsured public funds on deposits with a credit union in an amount at least 110% of the uninsured amount. The County adopted a new depository resolution on June 1, 2015 with sufficient maximum amounts.

Conclusion – Response accepted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting (Continued)

8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

9. **Economic Development** – During the year ended June 30, 2015, the County spent \$101,425 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

10. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

11. **Tax Increment Financing** – For the year ended June 30, 2015, the County Auditor prepared a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.