

SAMPLE COUNTY

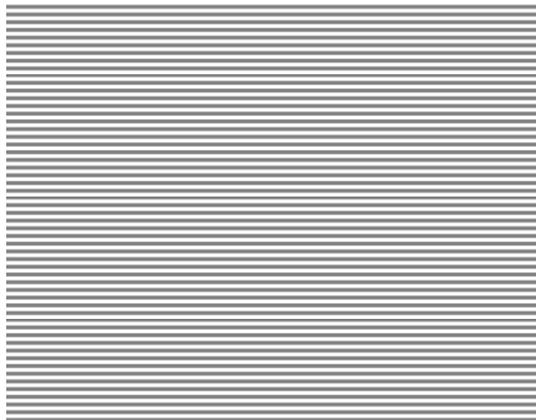
**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of governmental subdivisions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the basic financial statements, required and supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the local government feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Counties with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the County's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <https://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than \$1 million of securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking

Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

The findings on compliance, items IV-A-14 through IV-H-14, IV-L-14, IV-M-14 and IV-N-14 (if applicable), detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the County for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the County and a copy should be sent to this Office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11 of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.


MARY MOSIMAN, CPA
Auditor of State

Office of Auditor of State
Report Filing Requirements

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this Office upon release to the County within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

Electronic Submission

The County or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's office at:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this Office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

For Counties which act as a fiscal agent for an Early Childhood Iowa Area Board and had additional audit procedures performed for the Area Board as a part of the County's audit, an electronic (PDF format) copy of the audit report, including the management letter(s) if issued separately, should be submitted to the Iowa Department of Management by e-mail attachment to Shanell.wagler@iowa.gov.

Filing Fee Submission

The filing fee should be mailed separately to:

Office of Auditor of State
PO Box 333
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

| Budgeted Expenditures in Millions of Dollars | Filing Fee Amount |
|---|----------------------|
| Under 1 | \$100.00 |
| At least 1 but less than 3 | \$175.00 |
| At least 3 but less than 5 | \$250.00 |
| At least 5 but less than 10 | \$425.00 |
| At least 10 but less than 25 | \$625.00 |
| 25 and over | \$850.00 |

Sample County

Outline of Major Changes

- A. Implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.
- B. Revised the Iowa Public Employees' Retirement System (IPERS) note disclosure (Note 8) for changes in the contribution rates effective July 1, 2013.
- C. Included a disclosure in the Notes to Financial Statements regarding a prospective accounting change for GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.

Additional Notes

1. Also attached are a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with this office.
2. The attached sample Corrective Action Plan refers the user to the County's response to the auditor's comment for the detailed corrective action planned. If the County's response to the auditor's comment does not include the details of its planned corrective action, this information should be included in the Corrective Action Plan itself.
3. If the County has deposits in credit unions at June 30, 2014, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the County or the County's agent in the County's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
4. If the County operates a sanitary landfill, disclosure of the closure and postclosure care costs should be included in the Notes to Financial Statements. In addition, findings pertaining to compliance with solid waste fees used or retained and financial assurance should be included in Part IV of the Schedule of Findings and Questioned Costs. See Sample Accrual County Landfill Association or Sample Cash Landfill Commission for examples of the required disclosures and findings.
5. Following is an example footnote for an early retirement or other benefit plan or policy which meets the definition of a "termination benefit" as defined by GASB Statement No. 47.

Sample Note – Termination Benefits

In September 2012, the County approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the County and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Supervisors.

Early retirement benefits equal 60% of the employee's salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2014. The second and third payments will be paid July 1, 2014 and July 1, 2015, respectively.

At June 30, 2014, the County has obligations to eleven participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$85,642.

6. As a result of legislation enacted by the 2010 Legislature, the Early Childhood Iowa Initiative was established by Chapter 256I of the Code of Iowa. Chapter 256I.5 requires the Department of Management and the Early Childhood Iowa State Board to establish reporting and other requirements to address the financial activities of Area Boards and audit requirements of fiscal agents for Area Boards (also known as Empowerment Boards).

The procedures established require a separate audit be conducted in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for an Area Board with \$500,000 or more of federal expenditures. If an Area Board has less than \$500,000 of federal expenditures, it may choose to have procedures performed as a part of its fiscal agent's audit. The procedures to be performed are included in a separate section of the Sample County audit program titled "Early Childhood Iowa Area Board".

The Sample County report illustrates an example of the reporting requirements if the County acts as the fiscal agent for an Area Board and the audit procedures are performed as part of the County's audit. The required disclosure of the financial data of the Area Board is included in Note 14 to the financial statements.

The auditor is also required to include a statutory comment on the Early Childhood Iowa Area Board, regardless of whether there are any instances of non-compliance or not. This statutory comment is included as item IV-M-14 in the Schedule of Findings and Questioned Costs of the Sample County report. The following is an example statutory comment if no instances of non-compliance are noted:

Early Childhood Iowa Area Board – Sample County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

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

The Sample County report also includes an internal control deficiency for the Early Childhood Iowa Area Board, which is reported as item II-E-14 in the Schedule of Findings and Questioned Costs.

7. Legislation enacted by the 2012 Legislature, House File 2460, made changes to Iowa's TIF (tax increment financing) laws, including new reporting requirements. The legislation requires counties with urban renewal areas to approve and file an annual urban renewal report on or before December 1.

The legislation also requires an audit of counties to include an examination of the County's compliance with the annual urban renewal reporting requirements. As such, the auditor is required to include a statutory comment on the Annual Urban Renewal Report, regardless of whether there are any instances of non-compliance or not. Since the Sample County report does not include a Special Revenue, Tax Increment Financing Fund, the required statutory comment pertaining to the Annual Urban Renewal Report is not presented in the Sample County report. Counties with urban renewal areas should include the required statutory comment. Examples to report non-compliance are included as items IV-N-14 and IV-I-14 in the Schedule of Findings and Questioned Costs of the Sample Cash City and Sample GAAP City reports, respectively. The following is an example statutory comment if no instances of non-compliance are noted:

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

Additional Notes**Sample A**

Sample Entity

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2014

| Comment Number | Comment Title | Corrective Action Plan | Contact Person, Title, Phone Number | Anticipated Date of Completion |
|----------------|---|---|---|---|
| 2014-001 | Unsupported Expenditures | The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. | Tom Claim, Sample Entity Administrator, (515) YYY-XXXX | Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on October 3, 2014. |
| 2014-002 | Segregation of Duties over Federal Revenues | The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. | Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX | November 2, 2014 |
| 2014-003 | Financial Reporting | As reported in our response to the auditor's comment, we have implemented an independent review process which requires review by the Sample Entity Conservation Director, effective immediately. In addition, beginning with the December 2014 quarterly report, we will submit federal financial reports within the required time frame. | Joe Smith, Conservation Director, (515) YYY-XXXX | Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2014. |

Additional Notes (continued)**Sample B**

Sample Entity

Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2014

| Comment Reference | Comment Title | Status | If not corrected, provide planned corrective action or other explanation |
|----------------------------------|--|---|--|
| III-C-11 III-B-12 III-B-13 | Minority Business Enterprise/ Women Business Enterprise (MBE/WBE) | No longer valid; does not warrant further action. | Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part. |
| III-A-12 III-A-13 | Segregation of Duties over Federal Revenues | Not corrected. | Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff. |
| III-C-12 III-C-13 | Capital Assets | Corrective action taken. | |
| III-D-13 | Financial Reporting | Partially corrected. | Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2014. |



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STATE OF IOWA

State Capitol Building
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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State Mary Mosiman today released an audit report on Sample County, Iowa.

The County had local tax revenue of \$_____ for the year ended June 30, 2014, which included \$_____ in tax credits from the state. The County forwarded \$_____ of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$_____ of the local tax revenue to finance County operations, a(n) ___% increase (decrease) from the prior year. Other revenues included charges for service of \$_____, operating grants, contributions and restricted interest of \$_____, capital grants, contributions and restricted interest of \$_____, local option sales tax of \$_____, unrestricted investment earnings of \$_____ and other general revenues of \$_____.

Expenses for County operations for the year ended June 30, 2014 totaled \$_____, a(n) ___% increase (decrease) from the prior year. Expenses included \$_____ for _____ a _____, \$_____ for _____ b _____ and \$_____ for _____ c _____. (a, b, c - functions with three highest expense totals)

The significant increase (decrease) in revenues and expenses is due primarily to _____.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

###

SAMPLE COUNTY

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

JUNE 30, 2014

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Sample County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------|----------------------|---------------------|
| Jill Bailey | Board of Supervisors | Jan 2015 |
| David Cassidy | Board of Supervisors | Jan 2017 |
| Bill Hillary | Board of Supervisors | Jan 2017 |
| Tom Claim | County Auditor | Jan 2017 |
| Julie Ledger | County Treasurer | Jan 2015 |
| Susan Stamp | County Recorder | Jan 2015 |
| Kevin Lawman | County Sheriff | Jan 2017 |
| Dennis Lawyer | County Attorney | Jan 2015 |
| Mark Valuer | County Assessor | Jan 2018 |

Sample County



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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Sample County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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 Sample County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2014 on our consideration of Sample County'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample County's internal control over financial reporting and compliance.

MARY MOSIMAN, CPA
Auditor of State

October 22, 2014

Sample County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities increased 25.8%, or approximately \$1,223,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$100,000, operating grants, contributions and restricted interest increased approximately \$124,000 and capital grants, contributions and restricted interest increased approximately \$915,000.
- ◆ Program expenses of the County's governmental activities were 5.5%, or approximately \$271,000, more in fiscal year 2014 than in fiscal year 2013. Roads and transportation expenses increased approximately \$286,000.
- ◆ The County's net position increased 2.4%, or approximately \$783,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sample 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 Sample County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Sample County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are 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.

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

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

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

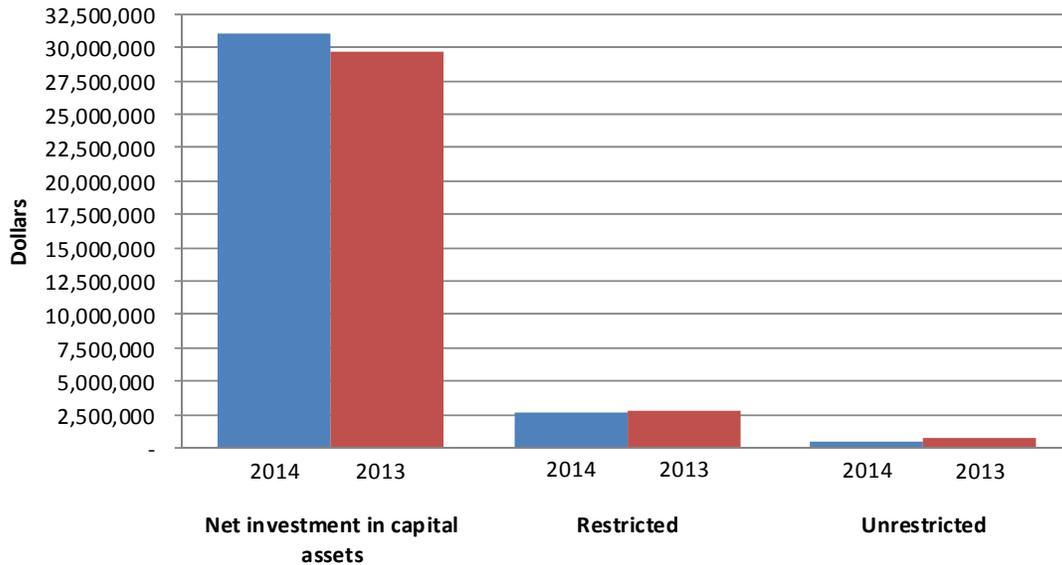
Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Sample County's combined net position was virtually unchanged from a year ago, increasing from approximately \$33.3 million to approximately \$34.1 million. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|------------------|---------------|
| | June 30, | |
| | 2014 | 2013 |
| Current and other assets | \$ 6,155 | 5,718 |
| Capital assets | 31,818 | 30,327 |
| Total assets | <u>37,973</u> | <u>36,045</u> |
| Long-term liabilities | 1,774 | 334 |
| Other liabilities | 889 | 1,081 |
| Total liabilities | <u>2,663</u> | <u>1,415</u> |
| Deferred inflows of resources | 1,252 | 1,355 |
| Net position: | | |
| Net investment in capital assets | 31,003 | 29,720 |
| Restricted | 2,663 | 2,815 |
| Unrestricted | 392 | 740 |
| Total net position | <u>\$ 34,058</u> | <u>33,275</u> |

Comparison of Net Position



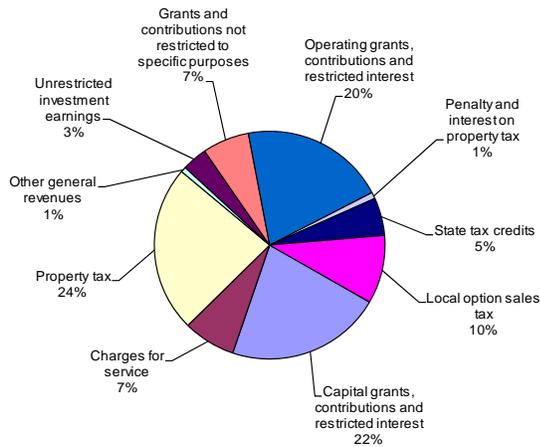
Net position of Sample County’s governmental activities increased 2.4% (approximately \$34.1 million compared to approximately \$33.3 million). The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$740,000 at June 30, 2013 to approximately \$392,000 at the end of this year, a decrease of 47.0%.

This reduction of approximately \$348,000 in unrestricted net position was a result of increased expenses for roadway maintenance and capital projects. The County increased its investment in roadway equipment and road construction approximately \$375,000 over the prior year. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee and adopted by the County Board of Supervisors on March 23, 2014.

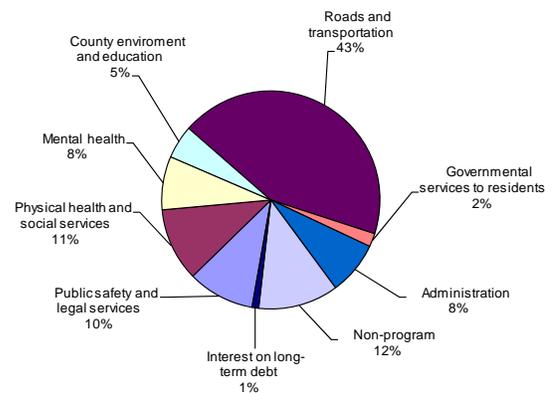
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

| | Year ended June 30, | |
|--|---------------------|---------------|
| | 2014 | 2013 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 438 | 407 |
| Operating grants, contributions and restricted interest | 1,213 | 1,089 |
| Capital grants, contributions and restricted interest | 1,305 | 390 |
| General revenues: | | |
| Property tax | 1,411 | 1,311 |
| Penalty and interest on property tax | 54 | 49 |
| State tax credits | 320 | 330 |
| Local option sales tax | 579 | 579 |
| Grants and contributions not restricted to specific purposes | 393 | 192 |
| Unrestricted investment earnings | 211 | 251 |
| Other general revenues | 45 | 148 |
| Total revenues | 5,969 | 4,746 |
| Program expenses: | | |
| Public safety and legal services | 530 | 542 |
| Physical health and social services | 557 | 557 |
| Mental health | 426 | 425 |
| County environment and education | 267 | 251 |
| Roads and transportation | 2,207 | 1,921 |
| Governmental services to residents | 128 | 133 |
| Administration | 430 | 426 |
| Non-program | 597 | 647 |
| Interest on long-term debt | 44 | 13 |
| Total expenses | 5,186 | 4,915 |
| Change in net position | 783 | (169) |
| Net position beginning of year | 33,275 | 33,444 |
| Net position end of year | \$ 34,058 | 33,275 |

Revenues by Source



Expenses by Program



Sample County's governmental activities net position increased approximately \$783,000 during the year. Revenues for governmental activities increased approximately \$1,223,000 over the prior year, with property tax revenue up from the prior year approximately \$100,000, or 7.6%.

The County increased property tax rates for fiscal year 2014 an average of 5%. This increase, the first in three years, raised the County's property tax revenue approximately \$100,000 in fiscal year 2014. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional \$75,000 next year.

The cost of all governmental activities this year was approximately \$5.2 million compared to approximately \$4.9 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these activities was approximately \$2.2 million because some of the cost was paid by those directly benefited from the programs (approximately \$438,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$2,518,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2014 from approximately \$1,886,000 to approximately \$2,956,000, principally due to receiving grant proceeds for the completion of the Courthouse renovation project.

INDIVIDUAL MAJOR FUND ANALYSIS

As Sample County completed the year, its governmental funds reported a combined fund balance of approximately \$3.7 million, an increase of more than \$678,000 above last year's total of approximately \$3.0 million. The increase in fund balance is primarily attributable to a \$1,000,000 general obligation bond issue during the year. 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 remained consistent when compared to the prior year. The ending fund balance showed a modest decline of approximately \$96,000 from the prior year to approximately \$1,277,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$418,000, a decrease of 1% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$209,000 over the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$258,000 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$157,000, or 11.6%.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- During the year ended June 30, 2014, the County issued \$1 million of general obligation bonds to help finance renovation of the County courthouse. The proceeds from the bond issue were placed in the Capital Projects Fund to account for this major project. Approximately \$696,000 of bond proceeds remained in the Capital Projects Fund at the end of the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sample County amended its budget two times. The first amendment was made in March 2014 and resulted in an increase in budgeted disbursements related to a Community Development Block grant received from the State of Iowa. The grant, for the renovation of the courtroom and the Clerk's office, required a 25% County match. However, this did not result in an increase in property and other county tax as the County received more intergovernmental receipts than originally budgeted and earned more interest on investments than originally projected. The second amendment was made on June 30, 2014. This amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were \$178,489 more than budgeted, a variance of 4%. The most significant variance resulted from the County receiving more miscellaneous receipts than anticipated.

Total disbursements were \$150,200 less than the amended budget. Actual disbursements for the physical health and social services, mental health and roads and transportation functions were \$121,195, \$80,984 and \$80,916, respectively, less than budgeted. This was primarily due to decreases in public health department disbursements related to staff turnover, a reduction in the number of mental health clients and a delay in purchasing a road grader.

Even with the budget amendments, the County exceeded the budgeted amounts in the non-program and capital projects functions for the year ended June 30, 2014. The County forwarded certain grant proceeds to the City of Anywhere without budgeting for this activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Sample County had approximately \$31.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,491,000, or 4.9%, over last year.

| Capital Assets of Governmental Activities at Year End | | |
|---|-----------|----------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2014 | 2013 |
| Land | \$ 611 | 600 |
| Buildings and improvements | 566 | 563 |
| Equipment and vehicles | 1,311 | 939 |
| Intangibles | 23 | 25 |
| Infrastructure | 29,307 | 28,200 |
| Total | \$ 31,818 | 30,327 |
| This year's major additions included (in thousands): | | |
| Capital assets contributed by the Iowa Department of Transportation | | \$ 1,000 |
| County road 55 reconstruction project | | 679 |
| Replacement of two motorgraders and other Secondary Roads equipment | | 522 |
| Courthouse renovation project | | 26 |
| County Sheriff and conservation vehicles | | 147 |
| Total | | \$ 2,374 |

The County had depreciation/amortization expense of \$996,618 in fiscal year 2014 and total accumulated depreciation/amortization of \$4,266,926 at June 30, 2014.

The County's fiscal year 2014 capital budget included \$1,500,000 for capital projects, principally for renovation of the County courthouse and for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use bond proceeds from this year and resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, Sample County had approximately \$1,576,000 of general obligation bonds and other debt outstanding, compared to approximately \$222,000 at June 30, 2013, as shown below.

| Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands) | | |
|---|-----------------|------------|
| | June 30, | |
| | 2014 | 2013 |
| General obligation bonds | \$ 1,000 | 155 |
| Capital lease purchase agreements | 436 | 67 |
| Drainage warrants and improvement certificates | 140 | - |
| Total | <u>\$ 1,576</u> | <u>222</u> |

Debt increased as a result of issuing general obligation bonds for the courthouse renovation. In addition, the County entered into a capital lease purchase agreement to acquire two motor graders.

The County continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the County's debt since 1998. 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. Sample County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$26 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Sample County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.6% versus 6% a year ago. This compares with the State's unemployment rate of 5.5% and the national rate of 8.0%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$4.7 million, an increase of 6% over the final fiscal year 2014 budget. Property tax (benefiting from the fiscal year 2014 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Sample County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise approximately \$125,000. Increased health care costs and increases in roadway construction and maintenance represent the largest increases. The County has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2015.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Sample 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 Sample County Auditor's Office, 101 Main Street, City of Anywhere, Iowa 50XXX-XXXX.

Sample County

Basic Financial Statements

Exhibit A

Sample County
Statement of Net Position
June 30, 2014

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 4,249,860 |
| Receivables: | |
| Property tax: | |
| Delinquent | 116,176 |
| Succeeding year | 1,252,000 |
| Interest and penalty on property tax | 3,765 |
| Accounts | 53,371 |
| Accrued interest | 18,107 |
| Drainage assessments | 126,369 |
| Due from other governments | 196,179 |
| Inventories | 35,800 |
| Prepaid insurance | 103,011 |
| Capital assets, net of accumulated depreciation/amortization | 31,817,920 |
| Total assets | <u>37,972,558</u> |
| Liabilities | |
| Accounts payable | 402,175 |
| Accrued interest payable | 5,397 |
| Salaries and benefits payable | 61,896 |
| Advances from grantors | 24,380 |
| Contracts payable | 350,420 |
| Due to other governments | 44,262 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital lease purchase agreements | 97,629 |
| General obligation bonds | 130,000 |
| Compensated absences | 40,772 |
| Portion due or payable after one year: | |
| Capital lease purchase agreements | 337,948 |
| General obligation bonds | 870,000 |
| Drainage warrants/drainage improvement certificates | 140,213 |
| Net OPEB liability | 157,900 |
| Total liabilities | <u>2,662,992</u> |
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | 1,252,000 |
| Net Position | |
| Net investment in capital assets | 31,002,877 |
| Restricted for: | |
| Supplemental levy purposes | 844,607 |
| Mental health purposes | 366,344 |
| Rural services purposes | 61,100 |
| Secondary roads purposes | 1,185,195 |
| Debt service | 108,003 |
| Capital projects | 75,360 |
| Other purposes | 21,744 |
| Unrestricted | 392,336 |
| Total net position | <u>\$ 34,057,566</u> |

See notes to financial statements.

Sample County
Statement of Activities
Year ended June 30, 2014

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------------|---------------------|---------------------------|--|--|--|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 529,952 | 42,392 | - | - | (487,560) |
| Physical health and social services | 556,711 | 113,350 | 104,306 | - | (339,055) |
| Mental health | 425,596 | - | 12,490 | - | (413,106) |
| County environment and education | 267,132 | 13,077 | 542 | - | (253,513) |
| Roads and transportation | 2,207,439 | 88,283 | 1,090,228 | 1,000,000 | (28,928) |
| Governmental services to residents | 127,593 | 60,073 | - | - | (67,520) |
| Administration | 430,024 | 7,363 | 5,314 | - | (417,347) |
| Non-program | 597,293 | 113,148 | - | 305,000 | (179,145) |
| Interest on long-term debt | 44,487 | - | - | - | (44,487) |
| Total | \$ 5,186,227 | 437,686 | 1,212,880 | 1,305,000 | (2,230,661) |

General Revenues:

Property and other county tax levied for:

| | |
|--|----------------------|
| General purposes | 1,256,085 |
| Debt service | 154,358 |
| Penalty and interest on property tax | 54,337 |
| State tax credits | 320,244 |
| Local option sales tax | 579,180 |
| Grants and contributions not restricted to specific purposes | 392,431 |
| Unrestricted investment earnings | 211,173 |
| Miscellaneous | 45,609 |
| Total general revenues | 3,013,417 |
| Change in net position | 782,756 |
| Net position beginning of year | 33,274,810 |
| Net position end of year | \$ 34,057,566 |

See notes to financial statements.

Sample County
Balance Sheet
Governmental Funds

June 30, 2014

| | Special Revenue | | | |
|---|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash, cash equivalents and pooled investments | \$ 1,256,184 | 321,960 | 49,955 | 1,345,226 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 48,973 | 20,238 | 42,915 | - |
| Succeeding year | 705,000 | 251,000 | 168,000 | - |
| Interest and penalty on property tax | 3,765 | - | - | - |
| Accounts | 3,018 | - | - | 12,981 |
| Accrued interest | 18,107 | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other funds | 6,922 | - | - | 29,261 |
| Due from other governments | 31,909 | 63,357 | 16,501 | 84,412 |
| Inventories | - | - | - | 35,800 |
| Prepaid insurance | 81,011 | - | - | 22,000 |
| Total assets | \$ 2,154,889 | 656,555 | 277,371 | 1,529,680 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 21,627 | 15,779 | 76 | 282,412 |
| Salaries and benefits payable | 38,251 | - | 348 | 23,297 |
| Advances from grantors | - | - | - | 24,380 |
| Contracts payable | - | - | - | - |
| Due to other funds | 29,411 | - | 6,922 | - |
| Due to other governments | 20,592 | 23,432 | - | 238 |
| Total liabilities | 109,881 | 39,211 | 7,346 | 330,327 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 705,000 | 251,000 | 168,000 | - |
| Other | 62,856 | 18,791 | 39,089 | - |
| Total deferred inflows of resources | 767,856 | 269,791 | 207,089 | - |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | - | - | - | 35,800 |
| Prepaid insurance | 81,011 | - | - | 22,000 |
| Restricted for: | | | | |
| Supplemental levy purposes | 811,627 | - | 32,980 | - |
| Mental health purposes | - | 347,553 | - | - |
| Rural services purposes | - | - | 29,956 | - |
| Secondary roads purposes | - | - | - | 1,141,553 |
| Drainage district purposes | - | - | - | - |
| Conservation land acquisition | 3,430 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Other purposes | 7,158 | - | - | - |
| Committed for capital projects | - | - | - | - |
| Assigned for sheriff vehicles | 50,000 | - | - | - |
| Unassigned | 323,926 | - | - | - |
| Total fund balances | 1,277,152 | 347,553 | 62,936 | 1,199,353 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,154,889 | 656,555 | 277,371 | 1,529,680 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|----------|-----------|
| 109,350 | 1,050,750 | 26,885 | 4,160,310 |
| 4,050 | - | - | 116,176 |
| 128,000 | - | - | 1,252,000 |
| - | - | - | 3,765 |
| - | 23,110 | - | 39,109 |
| - | - | - | 18,107 |
| - | - | 126,369 | 126,369 |
| - | - | 150 | 36,333 |
| - | - | - | 196,179 |
| - | - | - | 35,800 |
| - | - | - | 103,011 |
| 241,400 | 1,073,860 | 153,404 | 6,087,159 |
| - | 27,546 | 2,035 | 349,475 |
| - | - | - | 61,896 |
| - | - | - | 24,380 |
| - | 350,420 | - | 350,420 |
| - | - | - | 36,333 |
| - | - | - | 44,262 |
| - | 377,966 | 2,035 | 866,766 |
| - | - | - | - |
| 128,000 | - | - | 1,252,000 |
| 3,645 | - | 119,528 | 243,909 |
| 131,645 | - | 119,528 | 1,495,909 |
| - | - | - | 35,800 |
| - | - | - | 103,011 |
| - | - | - | 844,607 |
| - | - | - | 347,553 |
| - | - | - | 29,956 |
| - | - | - | 1,141,553 |
| - | - | 20,685 | 20,685 |
| - | - | - | 3,430 |
| 109,755 | - | - | 109,755 |
| - | 640,894 | - | 640,894 |
| - | - | 11,156 | 18,314 |
| - | 55,000 | - | 55,000 |
| - | - | - | 50,000 |
| - | - | - | 323,926 |
| 109,755 | 695,894 | 31,841 | 3,724,484 |
| 241,400 | 1,073,860 | 153,404 | 6,087,159 |

Sample County

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

June 30, 2014

Total governmental fund balances (page 23) \$ 3,724,484

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 assets is \$36,084,846 and the accumulated depreciation/amortization is \$4,266,926. 31,817,920

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 243,909

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 51,112

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, drainage warrants/drainage improvement certificates payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,779,859)

Net position of governmental activities (page 20) \$ 34,057,566

See notes to financial statements.

Sample County

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

| | Special Revenue | | | |
|--|---------------------|----------------|------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 688,203 | 285,468 | 278,681 | - |
| Local option sales tax | 289,590 | - | 289,590 | - |
| Interest and penalty on property tax | 54,093 | - | - | - |
| Intergovernmental | 764,204 | 341,883 | 107,338 | 1,090,228 |
| Licenses and permits | 4,280 | - | - | 700 |
| Charges for service | 113,692 | - | - | 32,160 |
| Use of money and property | 182,499 | - | - | 2,550 |
| Fines, forfeitures and defaults | 9,878 | - | - | - |
| Miscellaneous | 37,591 | - | - | 10,849 |
| Total revenues | 2,144,030 | 627,351 | 675,609 | 1,136,487 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 525,514 | - | - | - |
| Physical health and social services | 547,808 | - | - | - |
| Mental health | - | 418,265 | - | - |
| County environment and education | 170,769 | - | 85,747 | - |
| Roads and transportation | - | - | - | 1,819,597 |
| Governmental services to residents | 115,656 | - | - | - |
| Administration | 423,047 | - | - | - |
| Non-program | 386,410 | - | - | - |
| Debt service | - | - | - | 105,800 |
| Capital projects | 22,535 | - | - | 469,566 |
| Total expenditures | 2,191,739 | 418,265 | 85,747 | 2,394,963 |
| Excess (deficiency) of revenues over (under) expenditures | (47,709) | 209,086 | 589,862 | (1,258,476) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 1,630 | - | - | - |
| Operating transfers in | - | - | - | 636,299 |
| Operating transfers out | (50,139) | - | (586,160) | - |
| Capital lease purchase agreement | - | - | - | 465,515 |
| General obligation bonds issued | - | - | - | - |
| Drainage warrants/drainage improvement certificates issued | - | - | - | - |
| Total other financing sources (uses) | (48,509) | - | (586,160) | 1,101,814 |
| Change in fund balances | (96,218) | 209,086 | 3,702 | (156,662) |
| Fund balances beginning of year | 1,373,370 | 138,467 | 59,234 | 1,356,015 |
| Fund balances end of year | \$ 1,277,152 | 347,553 | 62,936 | 1,199,353 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|-----------|-----------|
| 154,311 | - | - | 1,406,663 |
| - | - | - | 579,180 |
| - | - | - | 54,093 |
| 17,689 | - | - | 2,321,342 |
| - | - | - | 4,980 |
| - | - | 13,500 | 159,352 |
| 5,458 | 19,417 | 91 | 210,015 |
| - | - | - | 9,878 |
| - | 55,943 | 83,508 | 187,891 |
| 177,458 | 75,360 | 97,099 | 4,933,394 |
| - | - | - | 525,514 |
| - | - | - | 547,808 |
| - | - | - | 418,265 |
| - | - | - | 256,516 |
| - | - | - | 1,819,597 |
| - | - | 11,050 | 126,706 |
| - | - | - | 423,047 |
| - | - | 210,883 | 597,293 |
| 170,043 | - | - | 275,843 |
| - | 379,466 | - | 871,567 |
| 170,043 | 379,466 | 221,933 | 5,862,156 |
| 7,415 | (304,106) | (124,834) | (928,762) |
| - | - | - | 1,630 |
| - | - | - | 636,299 |
| - | - | - | (636,299) |
| - | - | - | 465,515 |
| - | 1,000,000 | - | 1,000,000 |
| - | - | 140,213 | 140,213 |
| - | 1,000,000 | 140,213 | 1,607,358 |
| 7,415 | 695,894 | 15,379 | 678,596 |
| 102,340 | - | 16,462 | 3,045,888 |
| 109,755 | 695,894 | 31,841 | 3,724,484 |

Sample County

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2014

Change in fund balances - Total governmental funds (page 27) \$ 678,596

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 | \$ 1,489,521 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,000,000 | |
| Depreciation/amortization expense | (996,618) | 1,492,903 |
| | | |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,630)

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

| | | |
|--------------|--------|--------|
| Property tax | 3,780 | |
| Other | 21,436 | 25,216 |
| | | |

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

| | | |
|--------|-------------|-------------|
| Issued | (1,605,728) | |
| Repaid | 251,690 | (1,354,038) |
| | | |

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

| | | |
|-------------------------------|----------|----------|
| Compensated absences | (10,312) | |
| Other postemployment benefits | (75,600) | |
| Interest on long-term debt | (4,143) | (90,055) |
| | | |

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 31,764

Change in net position of governmental activities (page 21) \$ 782,756

See notes to financial statements.

Sample County
Statement of Net Position
Proprietary Fund

June 30, 2014

| | Internal Service - Employee Group Health |
|-----------------------------|--|
| Current Assets | |
| Cash and cash equivalents | \$ 89,550 |
| Accounts receivable | 14,262 |
| Total current assets | <u>103,812</u> |
| Current Liabilities | |
| Accounts payable | <u>52,700</u> |
| Net Position | |
| Unrestricted | <u><u>\$ 51,112</u></u> |

See notes to financial statements.

Sample County
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

| | | <u>Internal Service - Employee Group Health</u> |
|--|------------|---|
| Operating revenues: | | |
| Reimbursements from operating funds | | \$ 184,313 |
| Reimbursements from employees and others | | 71,715 |
| Insurance reimbursements | | 14,110 |
| Total operating revenues | | <u>270,138</u> |
| Operating expenses: | | |
| Medical claims | \$ 189,500 | |
| Insurance premiums | 42,000 | |
| Administrative fees | 5,700 | |
| Miscellaneous | 2,332 | 239,532 |
| Operating income | | <u>30,606</u> |
| Non-operating revenues: | | |
| Interest income | | 1,158 |
| Net income | | <u>31,764</u> |
| Net position beginning of year | | 19,348 |
| Net position end of year | | <u><u>\$ 51,112</u></u> |

See notes to financial statements.

Sample County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

| | Internal Service - Employee Group Health |
|---|--|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 184,313 |
| Cash received from employees and others | 71,715 |
| Cash paid to suppliers for services | (230,284) |
| Net cash provided by operating activities | 25,744 |
| Cash flows from investing activities: | |
| Interest on investments | 1,158 |
| Net increase in cash and cash equivalents | 26,902 |
| Cash and cash equivalents beginning of year | 62,648 |
| Cash and cash equivalents end of year | \$ 89,550 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 30,606 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Increase in accounts receivable | (14,262) |
| Increase in accounts payable | 9,400 |
| Net cash provided by operating activities | \$ 25,744 |

See notes to financial statements.

Sample County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

| | |
|----------------------------|------------------|
| County Treasurer | \$ 274,468 |
| Other County officials | 6,503 |
| Property tax receivable: | |
| Delinquent | 406,661 |
| Succeeding year | 5,770,000 |
| Due from other governments | 19,761 |
| Total assets | <u>6,477,393</u> |

Liabilities

| | |
|-------------------------------|------------------|
| Accounts payable | 1,189 |
| Salaries and benefits payable | 2,336 |
| Due to other governments | 6,434,512 |
| Trusts payable | 38,462 |
| Compensated absences | 894 |
| Total liabilities | <u>6,477,393</u> |

Net position

\$ -

See notes to financial statements.

Sample County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Sample 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, Sample 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 Sample 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 they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Twenty-three 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 Sample 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 Sample County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor’s Conference Board, County Emergency Management Commission, County Public Safety Commission and 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 are 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.

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 not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund 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 revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term 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 cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

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

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

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

Cash, 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.

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

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

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

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

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

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------|-----------------------------------|
| Buildings | 40 - 50 |
| Building improvements | 20 - 50 |
| Infrastructure | 30 - 50 |
| Intangibles | 5 - 20 |
| Equipment | 2 - 20 |
| Vehicles | 3 - 10 |

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.

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County, but will be spent in succeeding fiscal years.

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

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

compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2014, the County had the following investments:

| <u>Investment</u> | <u>Fair Value</u> | <u>Maturity</u> |
|--|-------------------|-----------------|
| Federal National Mortgage Association (FNMA) | <u>\$ 203,987</u> | October 2014 |

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$505,000 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk - The County's FNMA investment at June 30, 2014 is rated Aaa by Moody's Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk - The County places no limit on the amount which may be invested in any one issuer. More than 5% of the County's investments are in the Federal National Mortgage Association. The County's investment in the Federal National Mortgage Association is 28.77% of the County's total investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

| Receivable Fund | Payable Fund | Amount |
|--|------------------------------------|------------------|
| General | Special Revenue: Rural Services | \$ 6,922 |
| Special Revenue: Secondary Roads County Recorder's Records Management | General General | 29,261 150 |
| Total | | <u>\$ 36,333</u> |

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|-------------------------------------|---|----------------------|
| Special Revenue: Secondary Roads | General Special Revenue: Rural Services | \$ 50,139 586,160 |
| Total | | <u>\$ 636,299</u> |

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

(5) Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 600,250 | 10,800 | - | 611,050 |
| Construction in progress | - | 1,707,466 | (1,328,000) | 379,466 |
| Total capital assets not being depreciated | 600,250 | 1,718,266 | (1,328,000) | 990,516 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 1,102,636 | 25,745 | - | 1,128,381 |
| Improvements other than buildings | 22,793 | - | - | 22,793 |
| Equipment and vehicles | 1,877,365 | 745,510 | (57,719) | 2,565,156 |
| Intangibles | 50,000 | - | - | 50,000 |
| Infrastructure, road network | 30,000,000 | 1,328,000 | - | 31,328,000 |
| Total capital assets being depreciated/amortized | 33,052,794 | 2,099,255 | (57,719) | 35,094,330 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 553,315 | 22,568 | - | 575,883 |
| Improvements other than buildings | 9,400 | 456 | - | 9,856 |
| Equipment and vehicles | 938,682 | 371,094 | (56,089) | 1,253,687 |
| Intangibles | 25,000 | 2,500 | - | 27,500 |
| Infrastructure, road network | 1,800,000 | 600,000 | - | 2,400,000 |
| Total accumulated depreciation/amortization | 3,326,397 | 996,618 | (56,089) | 4,266,926 |
| Total capital assets being depreciated/amortized, net | 29,726,397 | 1,102,637 | (1,630) | 30,827,404 |
| Governmental activities capital assets, net | \$ 30,326,647 | 2,820,903 | (1,329,630) | 31,817,920 |

Depreciation/amortization expense was charged to the following functions:

| | |
|---|------------|
| Governmental activities: | |
| Public safety and legal services | \$ 41,716 |
| Physical health and social services | 8,353 |
| Mental health | 1,480 |
| County environment and education | 6,711 |
| Roads and transportation | 881,070 |
| Governmental services to residents | 735 |
| Administration | 56,553 |
| Total depreciation/amortization expense - governmental activities | \$ 996,618 |

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

| Fund | Description | Amount |
|------------------------------|-------------|---------------------|
| General | Services | \$ 20,592 |
| Special Revenue: | | |
| Mental Health | Services | 23,432 |
| Secondary Roads | Services | 238 |
| | | <u>23,670</u> |
| Total for governmental funds | | <u>\$ 44,262</u> |
| Agency: | | |
| County Assessor | Collections | \$ 225,008 |
| Schools | | 4,857,590 |
| Community Colleges | | 212,112 |
| Corporations | | 879,412 |
| Auto License and Use Tax | | 71,593 |
| All other | | 188,797 |
| Total for agency funds | | <u>\$ 6,434,512</u> |

(7) Long-Term Liabilities

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

| | Capital Lease Purchase Agreements | General Obligation Bonds | Drainage Warrants | Drainage Improvement Certificates | Compensated Absences | Net OPEB Liability | Total |
|---------------------------|-----------------------------------|--------------------------|-------------------|-----------------------------------|----------------------|--------------------|------------------|
| Balance beginning of year | \$ 66,752 | 155,000 | - | - | 30,460 | 82,300 | 334,512 |
| Increases | 465,515 | 1,000,000 | 118,948 | 21,265 | 47,812 | 102,200 | 1,755,740 |
| Decreases | 96,690 | 155,000 | - | - | 37,500 | 26,600 | 315,790 |
| Balance end of year | <u>\$ 435,577</u> | <u>1,000,000</u> | <u>118,948</u> | <u>21,265</u> | <u>40,772</u> | <u>157,900</u> | <u>1,774,462</u> |
| Due within one year | \$ 97,629 | 130,000 | - | - | 40,772 | - | 268,401 |

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a telephone system and two motor graders with historical costs of \$56,000 and \$575,000, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.09% to 5.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

| Year Ending June 30, | Telephone System | Motor Graders | Total |
|--|---------------------|------------------|----------|
| 2015 | \$ 9,605 | 120,904 | 130,509 |
| 2016 | 9,605 | 120,904 | 130,509 |
| 2017 | 9,605 | 120,904 | 130,509 |
| 2018 | 802 | 120,904 | 121,706 |
| Total minimum lease payments | 29,617 | 483,616 | 513,233 |
| Less amount representing interest | (3,644) | (74,012) | (77,656) |
| Present value of net minimum lease payments | \$ 25,973 | 409,604 | 435,577 |

Payments under capital lease purchase agreements totaled \$115,405 for the year ended June 30, 2014.

Bonds Payable

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

| Year Ending June 30, | Interest Rates | Courthouse Renovations Issued October 1, 2013 | | Total |
|----------------------------|-------------------|--|----------|-----------|
| | | Principal | Interest | |
| 2015 | 7.00% | \$ 130,000 | 64,760 | 194,760 |
| 2016 | 7.30 | 130,000 | 65,209 | 195,209 |
| 2017 | 7.50 | 140,000 | 58,551 | 198,551 |
| 2018 | 7.75 | 140,000 | 50,460 | 190,460 |
| 2019 | 8.00 | 150,000 | 41,047 | 191,047 |
| 2020-2021 | 8.00 | 310,000 | 43,090 | 353,090 |
| Total | | \$ 1,000,000 | 323,117 | 1,323,117 |

During the year ended June 30, 2014, the County issued \$1,000,000 of general obligation bonds and retired \$155,000 of bonds.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

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

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$95,430, \$88,136 and \$76,159, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 127 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2014, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

| | |
|--|-------------------|
| Annual required contribution | \$ 101,500 |
| Interest on net OPEB obligation | 4,000 |
| Adjustment to annual required contribution | <u>(3,300)</u> |
| Annual OPEB cost | 102,200 |
| Contributions made | <u>(26,600)</u> |
| Increase in net OPEB obligation | 75,600 |
| Net OPEB obligation beginning of year | <u>82,300</u> |
| Net OPEB obligation end of year | <u>\$ 157,900</u> |

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

For the year ended June 30, 2014, the County contributed \$26,600 to the medical plan. Plan members eligible for benefits contributed \$24,900, or 48% of the premium costs.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2012 | \$ 101,500 | 36.9% | \$ 64,000 |
| 2013 | 101,900 | 19.2 | 82,300 |
| 2014 | 102,200 | 26.0 | 157,900 |

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$655,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$655,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,845,000 and the ratio of the UAAL to covered payroll was 35.5%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the County's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 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 Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$823 per month for retirees less than age 65 and \$283 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$55,989.

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

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$184,313.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$52,700, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$51,112 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims 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 | \$ 43,300 |
| Incurred claims (including claims incurred but not reported at June 30, 2014) | 189,500 |
| Payments: | |
| Payment on claims during the fiscal year | 180,100 |
| Unpaid claims end of year | <u>\$ 52,700</u> |

(12) Construction Commitment

The County has entered into a contract totaling \$1,058,042 for bridge construction and roadway paving. As of June 30, 2014, costs of \$350,420 on the project have been incurred. The balance of \$707,622 remaining on the contract at June 30, 2014 will be paid as work on the project progresses.

The County has also entered into contracts totaling \$972,600 for Courthouse renovation. As of June 30, 2014, costs of \$362,750 on the project have been incurred. The \$609,850 balance remaining on the project at June 30, 2014 will be paid as work on the project progresses.

(13) Jointly Governed Organization

Sample County participates in the Sample County Public Safety Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

| | | |
|--|-----------|-------------------------|
| Additions: | | |
| Contributions from governmental units: | | |
| Sample County | \$ 50,288 | |
| Twinville | 29,111 | |
| Springfield | 24,845 | |
| Sunset Valley | 8,615 | |
| River City | 7,200 | \$ 120,059 |
| Miscellaneous | | <u>1,110</u> |
| Total additions | | <u>121,169</u> |
| Deductions: | | |
| Salaries | 86,534 | |
| Benefits | 19,244 | |
| Office supplies | 1,138 | |
| Uniforms | 1,012 | |
| Telephone | 5,528 | |
| Travel | 321 | |
| Training | 158 | |
| Equipment repair | 3,044 | |
| Insurance | 940 | |
| Miscellaneous | 558 | 118,477 |
| Net | | <u>2,692</u> |
| Balance beginning of year | | <u>17,412</u> |
| Balance end of year | | <u><u>\$ 20,104</u></u> |

(14) Early Childhood Iowa Area Board

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

| | Early Childhood | | School | Total |
|---|-----------------|--------|----------|----------|
| | Federal | State | Ready | |
| Revenues: | | | | |
| State grants: | | | | |
| Early childhood | \$ 10,356 | 12,281 | - | 22,637 |
| Family support and parent education | - | - | 49,385 | 49,385 |
| Preschool support for low-income families | - | - | 26,092 | 26,092 |
| Quality improvement | - | - | 15,898 | 15,898 |
| Allocation for administration | 1,527 | 1,243 | 4,934 | 7,704 |
| Other grant programs | - | - | 7,892 | 7,892 |
| Total state grants | 11,883 | 13,524 | 104,201 | 129,608 |
| Interest on investments | 10 | 8 | 170 | 188 |
| Total revenues | 11,893 | 13,532 | 104,371 | 129,796 |
| Expenditures: | | | | |
| Program services: | | | | |
| Early childhood | 15,325 | 10,335 | - | 25,660 |
| Family support and parent education | - | - | 53,003 | 53,003 |
| Preschool support for low income families | - | - | 46,988 | 46,988 |
| Quality improvement | - | - | 17,044 | 17,044 |
| Other program services | - | - | 11,388 | 11,388 |
| Total program services | 15,325 | 10,335 | 128,423 | 154,083 |
| Administration | 1,532 | 1,035 | 8,587 | 11,154 |
| Total expenditures | 16,857 | 11,370 | 137,010 | 165,237 |
| Change in fund balance | (4,964) | 2,162 | (32,639) | (35,441) |
| Fund balance beginning of year | 4,964 | - | 44,390 | 49,354 |
| Fund balance end of year | \$ - | 2,162 | 11,751 | 13,913 |

Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-E-14 and IV-M-14 in the Schedule of Findings and Questioned Costs.

(15) Prospective Accounting Change

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

Sample County

Required Supplementary Information

Sample County

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

Required Supplementary Information

Year ended June 30, 2014

| | Actual | Less Funds not Required to be Budgeted | Net |
|--|--------------|---|-----------|
| Receipts: | | | |
| Property and other county tax | \$ 1,834,708 | - | 1,834,708 |
| Interest and penalty on property tax | 56,505 | - | 56,505 |
| Intergovernmental | 2,093,032 | - | 2,093,032 |
| Licenses and permits | 4,980 | - | 4,980 |
| Charges for service | 163,852 | - | 163,852 |
| Use of money and property | 187,140 | - | 187,140 |
| Miscellaneous | 355,177 | 79,952 | 275,225 |
| Total receipts | 4,695,394 | 79,952 | 4,615,442 |
| Disbursements: | | | |
| Public safety and legal services | 457,082 | - | 457,082 |
| Physical health and social services | 458,860 | - | 458,860 |
| Mental health | 417,991 | - | 417,991 |
| County environment and education | 172,270 | - | 172,270 |
| Roads and transportation | 1,399,299 | - | 1,399,299 |
| Governmental services to residents | 102,708 | - | 102,708 |
| Administration | 414,035 | - | 414,035 |
| Non-program | 560,020 | 208,948 | 351,072 |
| Debt service | 275,843 | - | 275,843 |
| Capital projects | 828,725 | - | 828,725 |
| Total disbursements | 5,086,833 | 208,948 | 4,877,885 |
| Deficiency of receipts under disbursements | (391,439) | (128,996) | (262,443) |
| Other financing sources, net | 1,607,358 | 140,213 | 1,467,145 |
| Excess of receipts and other financing sources over disbursements and other financing uses | 1,215,919 | 11,217 | 1,204,702 |
| Balance beginning of year | 2,944,391 | 4,562 | 2,939,829 |
| Balance end of year | \$ 4,160,310 | 15,779 | 4,144,531 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-----------|-----------|
| Original | Final | Net |
| | | Variance |
| 1,836,173 | 1,836,173 | (1,465) |
| 54,255 | 54,255 | 2,250 |
| 1,856,547 | 2,086,200 | 6,832 |
| 5,000 | 5,000 | (20) |
| 123,900 | 162,800 | 1,052 |
| 105,050 | 150,300 | 36,840 |
| 65,936 | 142,225 | 133,000 |
| 4,046,861 | 4,436,953 | 178,489 |
| 422,500 | 471,014 | 13,932 |
| 578,055 | 580,055 | 121,195 |
| 495,000 | 498,975 | 80,984 |
| 177,500 | 179,399 | 7,129 |
| 1,319,344 | 1,480,215 | 80,916 |
| 112,907 | 113,962 | 11,254 |
| 448,500 | 477,965 | 63,930 |
| 150,000 | 220,800 | (130,272) |
| 276,800 | 276,800 | 957 |
| 945,000 | 728,900 | (99,825) |
| 4,925,606 | 5,028,085 | 150,200 |
| (878,745) | (591,132) | 328,689 |
| 1,000,000 | 1,465,515 | 1,630 |
| 121,255 | 874,383 | 330,319 |
| 2,700,659 | 2,886,300 | 53,529 |
| 2,821,914 | 3,760,683 | 383,848 |

Sample County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2014

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 4,695,394 | 238,000 | 4,933,394 |
| Expenditures | 5,086,833 | 775,323 | 5,862,156 |
| Net | (391,439) | (537,323) | (928,762) |
| Other financing sources, net | 1,607,358 | - | 1,607,358 |
| Beginning fund balances | 2,944,391 | 101,497 | 3,045,888 |
| Ending fund balances | \$ 4,160,310 | (435,826) | 3,724,484 |

See accompanying independent auditor's report.

Sample County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the 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, two budget amendments increased budgeted disbursements by \$102,479. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

Sample County

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 | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|------------------------|--------------------------------|--|--------------------------------------|--------------------------------------|--------------------------|---------------------------|---|
| | | | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | | | |
| 2009 | Jul 1, 2008 | - | \$ 565 | 565 | 0.0% | \$ 1,687 | 33.5% |
| 2010 | Jul 1, 2008 | - | 565 | 565 | 0.0 | 1,701 | 33.2 |
| 2011 | Jul 1, 2008 | - | 565 | 565 | 0.0 | 1,751 | 32.3 |
| 2012 | Jul 1, 2011 | - | 655 | 655 | 0.0 | 1,771 | 36.9 |
| 2013 | Jul 1, 2011 | - | 655 | 655 | 0.0 | 1,799 | 36.4 |
| 2014 | Jul 1, 2011 | - | 655 | 655 | 0.0 | 1,845 | 35.5 |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Sample County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

| | | Special |
|---|---|-----------------------|
| | County Recorder's Records Management | Drainage Districts |
| Assets | | |
| Cash, cash equivalents and pooled investments | \$ 7,450 | 15,779 |
| Drainage assessments receivable | - | 126,369 |
| Due from other funds | 150 | - |
| Total assets | \$ 7,600 | 142,148 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | |
| Liabilities: | | |
| Accounts payable | \$ 100 | 1,935 |
| Deferred inflows of resources: | | |
| Other revenues | - | 119,528 |
| Fund balances: | | |
| Restricted for: | | |
| Drainage warrants/drainage improvement certificates | - | 20,685 |
| Other purposes | 7,500 | - |
| Total fund balances | 7,500 | 20,685 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 7,600 | 142,148 |

See accompanying independent auditor's report.

Revenue

| Memorial Trust | Total |
|-------------------|---------|
| 3,656 | 26,885 |
| - | 126,369 |
| - | 150 |
| 3,656 | 153,404 |

| | |
|---|-------|
| - | 2,035 |
|---|-------|

| | |
|---|---------|
| - | 119,528 |
|---|---------|

| | |
|-------|--------|
| - | 20,685 |
| 3,656 | 11,156 |
| 3,656 | 31,841 |

| | |
|-------|---------|
| 3,656 | 153,404 |
|-------|---------|

Sample County

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

Year ended June 30, 2014

| | Special | |
|---|-------------------------------------|-----------------------|
| | County | |
| | Recorder's Records Management | Drainage Districts |
| Revenues: | | |
| Charges for service | \$ 13,500 | - |
| Use of money and property | 50 | - |
| Miscellaneous | - | 80,793 |
| Total revenues | <u>13,550</u> | <u>80,793</u> |
| Expenditures: | | |
| Operating: | | |
| Governmental services to residents | 11,050 | - |
| Non-program | - | 210,883 |
| Total expenditures | <u>11,050</u> | <u>210,883</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,500 | (130,090) |
| Other financing sources: | | |
| Drainage warrants/drainage improvement certificates issued | - | 140,213 |
| Change in fund balances | 2,500 | 10,123 |
| Fund balances beginning of year | <u>5,000</u> | <u>10,562</u> |
| Fund balances end of year | <u>\$ 7,500</u> | <u>20,685</u> |

See accompanying independent auditor's report.

| Revenue | |
|----------------|-----------|
| Memorial Trust | Total |
| - | 13,500 |
| 41 | 91 |
| 2,715 | 83,508 |
| 2,756 | 97,099 |
| - | 11,050 |
| - | 210,883 |
| - | 221,933 |
| 2,756 | (124,834) |
| - | 140,213 |
| 2,756 | 15,379 |
| 900 | 16,462 |
| 3,656 | 31,841 |

Sample County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2014

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|--|-------------------|--|--------------------|------------------|
| Assets | | | | |
| Cash, cash equivalents and pooled investments: | | | | |
| County Treasurer | \$ - | 546 | 101,276 | 43,380 |
| Other County officials | 6,503 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 3,695 | 6,569 | 314,210 |
| Succeeding year | - | 53,000 | 119,000 | 4,500,000 |
| Due from other governments | - | - | - | - |
| Total assets | \$ 6,503 | 57,241 | 226,845 | 4,857,590 |
| Liabilities | | | | |
| Accounts payable | \$ - | - | 923 | - |
| Salaries and benefits payable | - | - | 586 | - |
| Due to other governments | 1,371 | 57,241 | 225,008 | 4,857,590 |
| Trusts payable | 5,132 | - | - | - |
| Compensated absences | - | - | 328 | - |
| Total liabilities | \$ 6,503 | 57,241 | 226,845 | 4,857,590 |

See accompanying independent auditor's report.

| Community Colleges | Corpor- ations | Townships | Auto License and Use Tax | Other | Total |
|-----------------------|-------------------|-----------|-----------------------------------|--------|-----------|
| 1,985 | 9,749 | 782 | 71,593 | 45,157 | 274,468 |
| - | - | - | - | - | 6,503 |
| 15,127 | 59,663 | 7,235 | - | 162 | 406,661 |
| 195,000 | 810,000 | 91,000 | - | 2,000 | 5,770,000 |
| - | - | - | - | 19,761 | 19,761 |
| 212,112 | 879,412 | 99,017 | 71,593 | 67,080 | 6,477,393 |
| - | - | - | - | 266 | 1,189 |
| - | - | - | - | 1,750 | 2,336 |
| 212,112 | 879,412 | 99,017 | 71,593 | 31,168 | 6,434,512 |
| - | - | - | - | 33,330 | 38,462 |
| - | - | - | - | 566 | 894 |
| 212,112 | 879,412 | 99,017 | 71,593 | 67,080 | 6,477,393 |

Sample County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

| Assets and Liabilities | County Offices | Agricultural Extension Education | County Assessor | Schools |
|------------------------------------|-------------------|--|--------------------|-----------|
| Balances beginning of year | \$ 7,491 | 57,050 | 222,711 | 4,806,874 |
| Additions: | | | | |
| Property and other county tax | - | 52,400 | 121,786 | 4,498,380 |
| E911 surcharge | - | - | - | - |
| State tax credits | - | 8,585 | 14,436 | 688,188 |
| Drivers license fees | - | - | - | - |
| Office fees and collections | 84,785 | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 66,773 | - | - | - |
| Miscellaneous | - | - | 258 | - |
| Total additions | 151,558 | 60,985 | 136,480 | 5,186,568 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 42,048 | - | - | - |
| To other governments | 42,857 | 60,794 | 132,346 | 5,135,852 |
| Trusts paid out | 67,641 | - | - | - |
| Total deductions | 152,546 | 60,794 | 132,346 | 5,135,852 |
| Balances end of year | \$ 6,503 | 57,241 | 226,845 | 4,857,590 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | City Special Assessments | Auto License and Use Tax | Other | Total |
|--------------------|--------------|-----------|--------------------------|--------------------------|---------|-----------|
| 217,010 | 856,220 | 98,012 | - | 43,166 | 75,527 | 6,384,061 |
| 194,784 | 807,666 | 90,028 | - | - | 1,973 | 5,767,017 |
| - | - | - | - | - | 105,430 | 105,430 |
| 31,646 | 145,039 | 13,507 | - | - | 356 | 901,757 |
| - | - | - | - | 28,362 | - | 28,362 |
| - | - | - | - | - | - | 84,785 |
| - | - | - | - | 913,111 | 2,778 | 915,889 |
| - | - | - | 13,487 | - | - | 13,487 |
| - | - | - | - | - | 226,553 | 293,326 |
| - | - | - | - | - | 220,968 | 221,226 |
| 226,430 | 952,705 | 103,535 | 13,487 | 941,473 | 558,058 | 8,331,279 |
| - | - | - | - | 28,710 | - | 70,758 |
| 231,328 | 929,513 | 102,530 | 13,487 | 884,336 | 322,714 | 7,855,757 |
| - | - | - | - | - | 243,791 | 311,432 |
| 231,328 | 929,513 | 102,530 | 13,487 | 913,046 | 566,505 | 8,237,947 |
| 212,112 | 879,412 | 99,017 | - | 71,593 | 67,080 | 6,477,393 |

Sample County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

| | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|---------------------|------------------|------------------|------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 1,406,663 | 1,404,457 | 1,438,533 | 1,292,133 |
| Local option sales tax | 579,180 | 446,670 | 423,977 | 461,667 |
| Interest and penalty on property tax | 54,093 | 52,310 | 51,390 | 52,010 |
| Intergovernmental | 2,321,342 | 1,973,318 | 1,875,500 | 1,798,900 |
| Licenses and permits | 4,980 | 4,822 | 4,811 | 4,750 |
| Charges for service | 159,352 | 162,412 | 170,310 | 169,315 |
| Use of money and property | 210,015 | 251,100 | 222,400 | 241,318 |
| Fines, forfeitures and defaults | 9,878 | 9,313 | 9,101 | 9,002 |
| Miscellaneous | 187,891 | 366,909 | 200,019 | 211,315 |
| Total | \$ 4,933,394 | 4,671,311 | 4,396,041 | 4,240,410 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 525,514 | 511,129 | 509,320 | 496,300 |
| Physical health and social services | 547,808 | 539,315 | 541,318 | 529,217 |
| Mental health | 418,265 | 421,835 | 417,300 | 408,311 |
| County environment and education | 256,516 | 276,903 | 276,315 | 281,000 |
| Roads and transportation | 1,819,597 | 1,910,108 | 1,746,500 | 1,712,510 |
| Governmental services to residents | 126,706 | 127,100 | 125,920 | 124,800 |
| Administration | 423,047 | 417,129 | 410,318 | 409,812 |
| Non-program | 597,293 | 646,822 | 612,400 | 609,341 |
| Debt service | 275,843 | 260,100 | 255,000 | 265,100 |
| Capital projects | 871,567 | 472,000 | 518,100 | 422,300 |
| Total | \$ 5,862,156 | 5,582,441 | 5,412,491 | 5,258,691 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| 1,397,213 | 1,394,651 | 1,241,097 | 1,452,671 | 1,353,521 | 1,374,629 |
| 347,818 | 341,655 | 460,483 | 231,893 | 314,197 | 276,412 |
| 51,750 | 51,491 | 50,461 | 49,957 | 49,457 | 48,963 |
| 1,789,906 | 1,780,956 | 1,745,337 | 1,727,883 | 1,710,605 | 1,693,499 |
| 4,726 | 4,703 | 4,609 | 4,562 | 4,517 | 4,472 |
| 168,468 | 167,626 | 164,274 | 162,631 | 161,005 | 159,394 |
| 240,111 | 238,911 | 234,133 | 231,791 | 229,473 | 227,179 |
| 8,957 | 8,912 | 8,734 | 8,647 | 8,560 | 8,475 |
| 210,258 | 209,207 | 205,023 | 202,973 | 200,943 | 198,934 |
| 4,219,207 | 4,198,112 | 4,114,151 | 4,073,008 | 4,032,278 | 3,991,957 |
| 493,819 | 491,349 | 481,522 | 476,707 | 471,940 | 467,221 |
| 526,571 | 523,938 | 513,459 | 508,325 | 503,241 | 498,209 |
| 406,269 | 404,238 | 396,153 | 392,192 | 388,270 | 384,387 |
| 279,595 | 278,197 | 272,633 | 269,907 | 267,208 | 264,536 |
| 1,703,947 | 1,695,428 | 1,661,519 | 1,644,904 | 1,628,455 | 1,612,170 |
| 124,176 | 123,555 | 121,084 | 119,873 | 118,674 | 117,488 |
| 407,763 | 405,724 | 397,610 | 393,634 | 389,697 | 385,800 |
| 606,294 | 603,263 | 591,198 | 585,286 | 579,433 | 573,638 |
| 263,775 | 262,456 | 257,207 | 254,634 | 252,088 | 249,567 |
| 420,189 | 418,088 | 409,726 | 405,629 | 401,572 | 397,557 |
| 5,232,398 | 5,206,236 | 5,102,111 | 5,051,091 | 5,000,578 | 4,950,573 |

Schedule 6

Sample County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| Direct: | | | |
| U.S. Department of Agriculture: | | | |
| Watershed Protection and Flood Prevention | 10.904 | 68-6115-5-199 | \$ 159,186 |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 5883A199 | 1,161 |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | 1,325 |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Economic Development Authority: | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 14-ED-199 | 301,000 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-CO100(200)--8J-100 | 16,000 |
| ARRA - Highway Planning and Construction | 20.205 | ESL-9999(100)--7S-100 | 3,000 |
| | | | 19,000 |
| U. S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 7,570 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 125 |
| Foster Care_Title IV-E | 93.658 | | 617 |
| Adoption Assistance | 93.659 | | 168 |
| Children's Health Insurance Program | 93.767 | | 43 |
| Medical Assistance Program | 93.778 | | 2,565 |
| Social Services Block Grant | 93.667 | | 1,919 |
| Social Services Block Grant | 93.667 | | 47,856 |
| | | | 49,775 |

Sample County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| U.S. Department of Homeland Security: Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA 4126 DRIA | 36,350 |
| Total indirect | | | 419,699 |
| Total | | | \$ 578,885 |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Sample County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 Sample County:

We have audited in accordance with U.S. generally accepted auditing standards 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 Sample County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 and Questioned Costs, we identified certain deficiencies in internal control 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 County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-14 through II-E-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

Sample County's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample 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.

MARY MOSIMAN, CPA
Auditor of State

October 22, 2014

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Sample County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Sample County:

Report on Compliance for Each Major Federal Program

We have audited Sample County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Sample County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Sample County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sample County's compliance.

Opinion on Each Major Federal Program

In our opinion, Sample County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-14 in the accompanying Schedule of Findings and Questioned Costs. Our opinion on the major federal program is not modified with respect to this matter.

Sample County's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sample County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of Sample County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sample County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-14 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-14 to be a significant deficiency.

Sample County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sample County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MARY MOSIMAN, CPA
Auditor of State

October 22, 2014

Sample County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample County did not qualify as a low-risk auditee.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – 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.

One individual in the County Treasurer’s office has custody of receipts and performs all record-keeping and reconciling functions for the office, including those related to all federal programs.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the County Treasurer, Deputy Treasurer and Clerk. We plan to implement these changes by November 2, 2014.

Conclusion – Response accepted.

II-B-14 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County’s financial statements.

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

Conclusion – Response accepted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-C-14 Federal Financial Reporting – Financial reports were prepared by the Deputy County Auditor, but there was no independent verification or reconciliation of the information presented. In addition, the grant agreement for the Community Development Block Grant program requires the County to submit quarterly reports showing all federal activity within one month of the end of the quarter. None of the four quarterly reports were submitted timely and numerous errors resulted in variances between reported and actual activity of up to \$15,000. The County submitted corrected reports for all quarters.

Recommendation – The County should implement procedures to provide for an independent review of financial reports for accuracy and completeness. In addition, the County should establish procedures to ensure timely submission of federal financial reports in accordance with grant requirements.

Response and Corrective Action Planned – We agree with the auditor’s recommendation and will comply. Beginning November 2, 2014, the County Auditor will review financial reports for accuracy, completeness and timely remittance.

Conclusion – Response accepted.

II-D-14 Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.
- requiring the use of an anti-virus program on computers.
- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.

Also, the County does not have a written disaster recovery plan and does not require back-up tapes be stored off site daily in a fire proof vault or safe.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree these policies are needed.

Conclusion – Response accepted.

II-E-14 Early Childhood Iowa Area Board – Supporting Documentation and Approval –

During the year, the Area Board contracted with 7 providers. The provider contracts require detailed monthly invoices be submitted prior to payment to support the services rendered. The invoices are to be submitted to the Coordinator, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

For 5 of 10 provider claims tested, adequate supporting documentation was not available or did not agree with the amount paid. For 2 of 10 provider claims tested, the claims did not include evidence of approval by the Coordinator. In addition, provider claims were not made available to the Area Board for timely review.

Recommendation – All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts. The invoices and supporting documentation should be reviewed and approved by the Coordinator and be made available to the Area Board for timely review.

Response – We will obtain the documentation required by the provider contracts and the documentation will be reviewed and approved by the Coordinator and the Area Board. We will comply with these recommendations for all future contract payments.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

**CFDA Number 14.228: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 14-ED-199
Federal Award Year: 2014
U.S. Department of Housing and Urban Development
Passed through the Iowa Economic Development Authority**

III-A-14 (2014-001) Unsupported Expenditures – All federal costs are to be properly documented and supported in accordance with OMB Circular A-87. Of \$232,000 of federal expenditures tested, \$10,589 of expenditures claimed were not properly supported.

Recommendation – The County should implement procedures to ensure expenditures are properly supported. In addition, the County should contact the Iowa Economic Development Authority to determine the appropriate resolution of the questioned costs.

Response and Corrective Action Planned – We will revise our procedures so documentation (e.g. invoices and time cards) is maintained to support federal expenditures. We returned the \$10,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2014.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 14.228: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 14-ED-199
Federal Award Year: 2014
U.S. Department of Housing and Urban Development
Passed through the Iowa Economic Development Authority**

III-B-14 (2014-002) Segregation of Duties over Federal Revenues – The County Treasurer did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-14.

III-C-14 (2014-003) Federal Financial Reporting – Procedures were not in place to verify the accuracy of financial reports and to ensure timely submission, including the federal financial status reports for the Community Development Block Grant program. See item II-C-14.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the non-program and capital projects functions. Disbursements in certain departments exceeded the amounts appropriated.

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

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

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

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------------|-----------------------------------|---------------|
| Anywhere Flower Shop | Flower arrangements for gifts | \$ 332 |
| Anywhere Quick Shop | Pop and food for County employees | 239 |

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 – We will document this in the future.

Conclusion – Response accepted.

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

IV-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions, except the County Treasurer was only bonded for \$25,000.

Recommendation – The Treasurer’s bond should be increased to \$50,000 as required by Chapter 64.10 of the Code of Iowa. Also, the amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

Response – We will comply.

Conclusion – Response accepted.

IV-F-14 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 May 3, 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 – This was an oversight. We usually record the vote as required and will do so in the future.

Conclusion – Response accepted.

IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-14 Capital Lease Purchase Agreement – During the year ended June 30, 2014, the County entered into a capital lease purchase agreement for the purchase of two motor graders for the Secondary Roads Department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

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

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

Conclusion – Response accepted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-J-14 County Assessor – Questionable Expenditure – An expenditure we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The expenditure for the County Assessor’s Office is detailed as follows:

| <u>Paid To</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------------|-----------------|---------------|
| Electronics, Inc. | Satellite radio | \$ 345 |

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 County Assessor’s Conference Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County Assessor’s Conference Board should establish written policies and procedures, including requirements for proper documentation.

Response – We will include documentation and establish policies to address these expenditures if this practice is continued.

Conclusion – Response accepted.

- IV-K-14 Economic Development – During the year ended June 30, 2014, the County contributed \$10,000 to the Sample County Development Corporation. The economic development agreement did not include a provision requiring the Development Corporation to provide the County with documentation of how the funds were used.

Recommendation – The Board should require documentation of how the funds were used to accomplish economic development activities.

Response – We will revise the agreement to require documentation be provided to the County.

Conclusion – Response accepted.

- IV-L-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

The County Extension Office received 4-H donations. These receipts were not reflected in the Extension Council’s accounting system and have not been included in the annual budget or monthly financial reports. Disbursements from these proceeds were not approved by the Extension Council prior to payment.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – The 4-H donations should be included in the Extension Council’s annual budget and financial statements. All disbursements should be approved by the Extension Council prior to payment.

Response – We will include this activity in our financial reports and annual budget starting next fiscal year.

Conclusion – Response accepted.

IV-M-14 Early Childhood Iowa Area Board – Sample County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

Certain expenditures of \$536 were noted for food and refreshments for meetings which may not meet the purpose for which the grants were provided.

Recommendation – The Area Board should determine and document how these expenditures meet the intended purpose of the grants before authorizing any further payments.

Response – We will discontinue the practice of providing meals for the monthly Board meetings.

Conclusion – Response accepted.

IV-N-14 Tax Increment Financing (TIF) – For the year ended June 30, 2014, the County Auditor did not prepare a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.

Recommendation – To assist the County Auditor in performing their duty in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, “to provide for the division of taxes in each subsequent year without further certification... until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”, the County Auditor should prepare a reconciliation of each City’s TIF receipts and TIF debt certified.

Response – We will begin reconciling the TIF receipts to the amount of TIF debt certified for all cities within the County.

Conclusion – Response accepted.

Sample County

Staff

This audit was performed by:

John Q. Review, CPA, Manager
Terry Tickmark, CPA, Senior Auditor
Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Assistant Auditor

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