



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE January 26, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on Muscatine County, Iowa.

The County had local tax revenue of \$67,815,992 for the year ended June 30, 2015, which included \$3,954,693 in tax credits from the state. The County forwarded \$51,654,214 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$16,161,778 of the local tax revenue to finance County operations, a 1.6% increase over the prior year. Other revenues included charges for service of \$3,313,055, operating grants, contributions and restricted interest of \$6,035,179, capital grants, contributions and restricted interest of \$644,659, tax increment financing of \$38,696, local option sales tax of \$1,748,584, unrestricted investment earnings of \$72,095 and other general revenues of \$515,032.

Expenses for County operations for the year ended June 30, 2015 totaled \$26,057,618, a 5.7% increase over the prior year. Expenses included \$9,125,566 for public safety and legal services, \$6,905,560 for roads and transportation and \$3,109,132 for administration.

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/1510-0070-B00F.pdf>.

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MUSCATINE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-50
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		54
Schedule of the County’s Proportionate Share of the Net Pension Liability		55
Schedule of County Contributions		56-57
Notes to Required Supplementary Information – Pension Liability		58-59
Schedule of Funding Progress for the Retiree Health Plan		60
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	64-65
Internal Service Funds:		
Combining Schedule of Net Position	3	66
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4	67
Combining Schedule of Cash Flows	5	68
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	70-71
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	72-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	74-75
Schedule of Expenditures of Federal Awards	9	76-77

Table of Contents
(continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	79-80
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	83-84
Schedule of Findings and Questioned Costs	85-91
Staff	92

Muscatine County

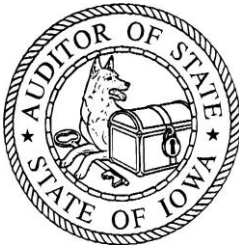
Officials

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Furlong	Board of Supervisors	Jan 2015
Robert Howard	Board of Supervisors	Jan 2015
Jeff Sorensen	Board of Supervisors	Jan 2015
Kas Kelly	Board of Supervisors	Jan 2017
Scott Sauer	Board of Supervisors	Jan 2017
Leslie Soule	County Auditor	Jan 2017
Jerry Coffman	County Treasurer	Jan 2015
Cindy Gray	County Recorder	Jan 2015
David White	County Sheriff	Jan 2017
Alan Ostergren	County Attorney	Jan 2015
Dale McCrea	County Assessor	Jan 2016

(After January 2015)

Kas Kelly	Board of Supervisors	Jan 2017
Scott Sauer	Board of Supervisors	Jan 2017
Matt Bonebrake	Board of Supervisors	Jan 2019
Robert Howard	Board of Supervisors	Jan 2019
Jeff Sorensen	Board of Supervisors	Jan 2019
Leslie Soule	County Auditor	Jan 2017
Amy Zybarth	County Treasurer	Jan 2019
Sarah Hearst	County Recorder	Jan 2019
David White	County Sheriff	(Resigned April 2015)
C.J. Ryan (Appointed)	County Sheriff	Nov 2016
Alan Ostergren	County Attorney	Jan 2019
Dale McCrea	County Assessor	Jan 2016



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Independent Auditor's Report

To the Officials of Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2015, 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 Muscatine County as of June 30, 2015, 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.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Muscatine County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 52 through 60 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 Muscatine 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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 January 11, 2016 on our consideration of Muscatine 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 Muscatine County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$5,169,708 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.

Revenues of the County's governmental activities decreased 14.0%, or approximately \$4.6 million, from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest decreased approximately \$4.6 million.

Expenses of the County's governmental activities increased 5.7%, or approximately \$1.4 million, from fiscal year 2014 to fiscal year 2015. Mental health function expenses increased approximately \$565,000, roads and transportation function expenses increased approximately \$482,000 and public safety and legal services function expenses increased approximately \$254,000.

Muscatine County's net position at June 30, 2015 increased 4.4%, or approximately \$2.5 million, from the restated June 30, 2014 balances.

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 Muscatine 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 Muscatine 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 Muscatine County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

The Statement of Net Position presents 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) Proprietary funds account for the County’s Internal Service Funds for health insurance and county insurance. 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. The analysis that follows focuses on the changes in the net position of governmental activities.

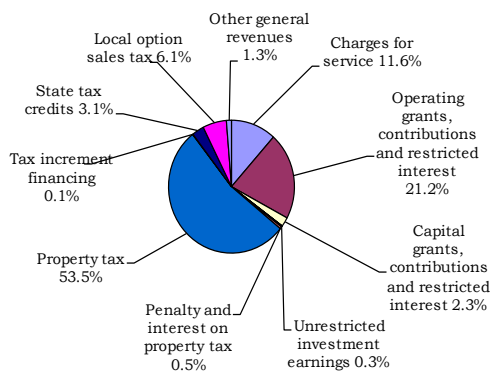
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 32,888	30,664
Capital assets	61,476	61,302
Total assets	94,364	91,966
Deferred outflows of resources	1,026	-
Long-term liabilities	17,831	14,584
Other liabilities	1,271	1,155
Total liabilities	19,102	15,739
Deferred inflows of resources	17,996	15,237
Net position:		
Net investment in capital assets	49,564	49,124
Restricted	7,987	7,129
Unrestricted	741	4,737
Total net position	\$ 58,292	60,990

Prior to restatement, Muscatine County’s total net position decreased 4.4%, approximately \$58.3 million compared to approximately \$60.1 million. The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. 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 approximately \$3,996,000 from the prior year. The decrease is due primarily to reporting the net pension liability.

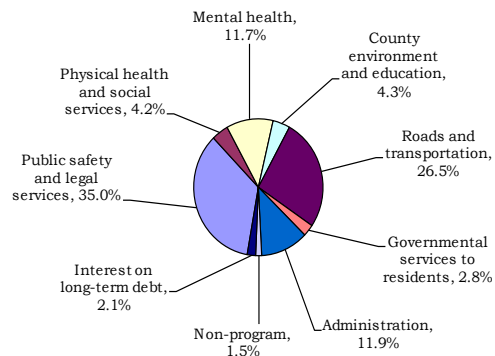
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2015 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 3,313	3,336
Operating grants, contributions and restricted interest	6,035	6,346
Capital grants, contributions and restricted interest	645	5,288
General revenues:		
Property tax	15,265	15,365
Tax increment financing	39	29
Penalty and interest on property tax	148	22
State tax credits	897	547
Local option sales tax	1,749	1,674
Unrestricted investment earnings	72	56
Other general revenues	366	496
Total revenues	28,529	33,159
Program expenses:		
Public safety and legal services	9,126	8,872
Physical health and social services	1,085	1,241
Mental health	3,050	2,485
County environment and education	1,110	1,103
Roads and transportation	6,906	6,424
Governmental services to residents	724	807
Administration	3,109	2,934
Non-program	395	247
Interest on long-term debt	553	540
Total expenses	26,058	24,653
Change in net position	2,471	8,506
Net position beginning of year, as restated	55,821	52,484
Net position end of year	\$ 58,292	60,990

Revenues by Source



Expenses by Program



The Revenues for governmental activities decreased approximately \$4,630,000 from the prior year, with capital grants, contributions and restricted interest decreasing approximately \$4,643,000. The decrease was primarily a result of a decrease in capital assets contributed by the Iowa Department of Transportation.

Muscatine County's general basic levy increased \$.26 per \$1,000 of taxable valuation, the general supplemental levy decreased \$.3259 per \$1,000 of taxable valuation, the mental health levy increased \$.01002 per \$1,000 of taxable valuation and the debt service levy increased \$.07592 per \$1,000 of taxable valuation. The rural taxable property valuation increased \$12,570,451 and the countywide taxable property valuation increased \$18,666,541.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$15.2 million, which is higher than the combined fund balance at the end of fiscal year 2014 of approximately \$13.3 million.

- General Fund revenues and expenditures increased approximately \$753,000 and \$1,112,000, respectively. Revenue increased due to an increase in state tax credits for the commercial and industrial tax replacement, a donation for conservation improvements and increased case management care. The increase for conservation improvements and case management care resulted in increased expenditures by the County for those purposes. The fund balance at the end of the fiscal year was approximately \$6.6 million, an increase of approximately \$333,000 over the prior year.
- Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. In fiscal year 2015, revenues decreased approximately \$993,000, primarily due to mental health regionalization and a decrease in funding from the State. There were no significant changes in expenditures compared to the prior year. The fund balance at the end of the fiscal year was approximately \$2.1 million, an increase of approximately \$127,000 over the prior year.
- The Special Revenue, Rural Services Fund ending fund balance increased approximately \$257,000 over the prior year to approximately \$948,000. Revenues increased approximately \$55,000, primarily due to an increase in taxable property valuations. There were no significant changes in expenditures or transfers out.
- The Special Revenue, Secondary Roads Fund ending fund balance increased approximately \$59,000 over the prior year to approximately \$2.6 million. Revenues decreased approximately \$554,000, primarily due to federal reimbursements for a bridge project in the prior fiscal year offset by increases in local option sales tax revenue. Expenditures decreased approximately \$1,126,000, primarily due to a decrease for roads and bridge projects offset by increases in expenditures related to federal disasters.
- The Debt Service Fund ending fund balance increased approximately \$576,000 over the prior year to approximately \$1.4 million. Payments from the Debt Service Fund include principal and interest payments for the remodeling of the County Administration Building, County jail expansion/remodel, Courthouse HVAC replacement, courthouse window replacement and County building improvements.
- The Capital Projects Fund ending fund balance increased approximately \$566,000 over the prior year to approximately \$1.3 million.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Internal Service and Agency Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis.

Over the course of the year, Muscatine County amended the operating budget two times. The amendments were made in March 2015 and June 2015.

The first amendment primarily captured the \$930,268 payment to the mental health region and increased receipts and disbursements for various grants and increased budgeted disbursements for the Medical Examiner and the County Attorney. The second amendment reduced budgeted federal inmate receipts, increased budgeted disbursements for Sheriff's Office sick and vacation payouts, County Attorney office expenses, election costs and Conservation Deep Lakes Park expenses and decreased budgeted capital projects function disbursements for current year projects extended into the next year.

The County's receipts were approximately \$188,000 more than budgeted, a variance of 0.7%. Total disbursements were approximately \$3.3 million less than the amended budget. Disbursements for the mental health function were approximately \$834,000 less than budgeted, primarily due to the regionalization of mental health. Disbursements for the physical health and social services function were approximately \$303,000 less than budgeted due to a decrease in state grants and capital projects function disbursements were approximately \$1,098,000 less than budgeted due to projects extending into fiscal year 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, Muscatine County had approximately \$98.8 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. With total accumulated depreciation of approximately \$37.3 million, Muscatine County's capital assets have a net value of approximately \$61.5 million. This is a net increase of approximately \$175,000 over June 30, 2014. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal year 2015, Muscatine County had \$13,305,000 of long term debt outstanding, compared to approximately \$13,064,000 at the end of fiscal year 2014.

Muscatine County's outstanding debt increased as a result of the issuance of a general obligation note of \$1,500,000 to finance improvements to County buildings and to acquire emergency services communication equipment. offset by scheduled principal repayments made in the current year. Muscatine County's general obligation bond rating continues to be the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Muscatine County's outstanding general obligation debt of \$16,117,098, including development agreements of \$2,812,098, is significantly below its constitutional debt limit of approximately \$153 million. Additional information about the County's long-term debt is presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget and tax rates and the fees charged for various County activities. The amount available for appropriation in the fiscal year 2016 operating budget is approximately \$41.5 million, an increase of less than 1% over the final fiscal year 2015 budget. Muscatine County's other operating fund balances are expected to decrease approximately \$2.0 million to approximately \$8.9 million by the close of fiscal year 2016.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Muscatine 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 Sherry Seright at the Muscatine County Administration Office, 414 East 3rd Street, Suite 101, Muscatine, Iowa, 52761.

Basic Financial Statements

Exhibit A

Muscatine County
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 15,544,352
Receivables:	
Property tax:	
Delinquent	58,000
Succeeding year	15,167,000
Succeeding year tax increment financing	72,000
Interest and penalty on property tax	173,000
Accounts	101,757
Accrued interest	9,907
Due from other governments	1,411,971
Prepaid expenses	134,332
Capital assets, net of accumulated depreciation/amortization	<u>61,476,247</u>
Total assets	<u>94,364,230</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>1,025,680</u>
Liabilities	
Accounts payable	921,520
Accrued interest payable	39,261
Salaries and benefits payable	173,675
Advances from grantors	77,848
Due to other governments	58,716
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	1,265,000
Compensated absences	587,198
Portion due or payable after one year:	
General obligation bonds/notes	12,040,000
Compensated absences	667,928
Net pension liability	3,021,510
Net OPEB liability	<u>249,247</u>
Total liabilities	<u>19,101,903</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	15,347,000
Unavailable tax increment financing revenue	72,000
Pension related deferred inflows	<u>2,576,883</u>
Total deferred inflows of resources	<u>17,995,883</u>
Net Position	
Net investment in capital assets	49,563,496
Restricted for:	
Supplemental levy purposes	1,736,307
Mental health purposes	2,058,653
Rural services purposes	942,387
Secondary roads purposes	2,541,707
Conservation land acquisition	315,924
Debt service	186,563
Other purposes	205,874
Unrestricted	<u>741,213</u>
Total net position	<u>\$ 58,292,124</u>

See notes to financial statements.

Muscatine County

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Contributions and Restricted Interest	Operating Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 9,125,566	1,951,479	269,724	100,000	(6,804,363)
Physical health and social services	1,085,042	126,640	332,049	-	(626,353)
Mental health	3,050,041	61,157	955,030	-	(2,033,854)
County environment and education	1,109,718	42,393	217,275	90,118	(759,932)
Roads and transportation	6,905,560	6,053	3,242,192	454,541	(3,202,774)
Governmental services to residents	724,169	607,297	1,950	-	(114,922)
Administration	3,109,132	42,033	213,874	-	(2,853,225)
Non-program	394,996	476,003	-	-	81,007
Interest on long-term debt	553,394	-	803,085	-	249,691
Total	\$ 26,057,618	3,313,055	6,035,179	644,659	(16,064,725)
General Revenues:					
Property and other county tax levied for:					
General purposes					14,329,644
Debt service					934,956
Tax increment financing					38,696
Penalty and interest on property tax					148,528
State tax credits					897,178
Local option sales tax					1,748,584
Unrestricted investment earnings					72,095
Gain on disposition of capital assets					244,091
Miscellaneous					122,413
Total general revenues					18,536,185
Change in net position					2,471,460
Net position beginning of year, as restated					55,820,664
Net position end of year					\$ 58,292,124

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 6,524,243	2,167,621	971,178	2,176,707
Receivables:				
Property tax:				
Delinquent	39,000	7,000	9,000	-
Succeeding year	10,150,000	1,742,000	1,866,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	173,000	-	-	-
Accounts	70,927	2,734	-	-
Accrued interest	9,907	-	-	-
Due from other funds	775	-	-	6,777
Due from other governments	431,144	88,228	4,397	805,300
Inventories	-	-	-	215,664
Prepaid expenditures	134,332	-	-	-
Total assets	\$ 17,533,328	4,007,583	2,850,575	3,204,448
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 173,399	100,695	821	260,247
Salaries and benefits payable	139,823	2,591	652	30,512
Advances from grantors	-	-	-	77,848
Due to other funds	6,622	775	155	-
Due to other governments	53,074	2,854	350	2,438
Total liabilities	<u>372,918</u>	<u>106,915</u>	<u>1,978</u>	<u>371,045</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	10,274,000	1,765,000	1,888,000	-
Succeeding year tax increment financing	-	-	-	-
Other	314,669	7,000	12,273	258,750
Total deferred inflows of resources	<u>10,588,669</u>	<u>1,772,000</u>	<u>1,900,273</u>	<u>258,750</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	215,664
Prepaid expenditures	134,332	-	-	-
Restricted for:				
Supplemental levy purposes	1,867,171	-	-	-
Mental health purposes	-	2,128,668	-	-
Rural services purposes	-	-	948,324	-
Secondary roads purposes	-	-	-	2,358,989
Conservation land acquisition/capital improvements	274,674	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Building maintenance	550,000	-	-	-
Debt service	-	-	-	-
Unassigned	3,745,564	-	-	-
Total fund balances	<u>6,571,741</u>	<u>2,128,668</u>	<u>948,324</u>	<u>2,574,653</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 17,533,328	4,007,583	2,850,575	3,204,448

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,350,922	1,396,870	220,845	14,808,386
3,000	-	-	58,000
1,409,000	-	-	15,167,000
-	-	72,000	72,000
-	-	-	173,000
-	-	-	73,661
-	-	-	9,907
-	-	-	7,552
82,902	-	-	1,411,971
-	-	-	215,664
-	-	-	134,332
<u>2,845,824</u>	<u>1,396,870</u>	<u>292,845</u>	<u>32,131,473</u>
-	64,621	19,874	619,657
-	-	97	173,675
-	-	-	77,848
-	-	-	7,552
-	-	-	58,716
-	<u>64,621</u>	<u>19,971</u>	<u>937,448</u>
1,420,000	-	-	15,347,000
-	-	72,000	72,000
3,000	-	-	595,692
<u>1,423,000</u>	-	<u>72,000</u>	<u>16,014,692</u>
-	-	-	215,664
-	-	-	134,332
-	-	-	1,867,171
-	-	-	2,128,668
-	-	-	948,324
-	-	-	2,358,989
-	-	-	274,674
222,824	-	-	222,824
-	1,332,249	-	1,332,249
-	-	200,874	200,874
-	-	-	550,000
1,200,000	-	-	1,200,000
-	-	-	3,745,564
<u>1,422,824</u>	<u>1,332,249</u>	<u>200,874</u>	<u>15,179,333</u>
<u>2,845,824</u>	<u>1,396,870</u>	<u>292,845</u>	<u>32,131,473</u>

Muscatine County

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

June 30, 2015

Total governmental fund balances (page 19) \$ 15,179,333

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 \$98,777,416 and the accumulated depreciation/amortization is \$37,301,169. 61,476,247

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 595,692

The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and county insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position. 462,199

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

Deferred outflows of resources	\$ 1,025,680	
Deferred inflows of resources	<u>(2,576,883)</u>	(1,551,203)

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (17,870,144)

Net position of governmental activities (page 16) \$ 58,292,124

See notes to financial statements.

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

Year ended June 30, 2015

	Special			Revenue
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 10,485,023	1,943,426	1,907,195	-
Local option sales tax	-	-	-	1,748,584
Tax increment financing	-	-	-	-
Interest and penalty on property tax	137,528	-	-	-
Intergovernmental	3,079,384	481,640	102,820	3,282,390
Licenses and permits	163	-	92,839	5,807
Charges for service	926,289	61,157	-	246
Use of money and property	543,784	-	-	-
Miscellaneous	546,977	12,584	2,652	2,102
Total revenues	<u>15,719,148</u>	<u>2,498,807</u>	<u>2,105,506</u>	<u>5,039,129</u>
Expenditures:				
Operating:				
Public safety and legal services	8,912,332	-	-	-
Physical health and social services	1,012,137	-	66,055	-
Mental health	641,169	2,372,292	-	-
County environment and education	781,546	-	307,102	-
Roads and transportation	-	-	-	5,984,880
Governmental services to residents	737,765	-	2,721	-
Administration	2,781,434	-	-	-
Debt service	-	-	-	-
Capital projects	74,985	-	-	435,160
Total expenditures	<u>14,941,368</u>	<u>2,372,292</u>	<u>375,878</u>	<u>6,420,040</u>
Excess (deficiency) of revenues over (under) expenditures	777,780	126,515	1,729,628	(1,380,911)
Other financing sources (uses):				
Sale of capital assets	74,558	-	-	-
Transfers in	32,250	-	-	1,440,000
Transfers out	(551,150)	-	(1,472,250)	-
General obligation notes issued	-	-	-	-
Total other financing sources (uses)	<u>(444,342)</u>	<u>-</u>	<u>(1,472,250)</u>	<u>1,440,000</u>
Change in fund balances	333,438	126,515	257,378	59,089
Fund balances beginning of year	6,238,303	2,002,153	690,946	2,515,564
Fund balances end of year	<u>\$ 6,571,741</u>	<u>2,128,668</u>	<u>948,324</u>	<u>2,574,653</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
934,956	-	-	15,270,600
-	-	-	1,748,584
-	-	38,696	38,696
-	-	-	137,528
860,990	100,000	22,948	7,930,172
-	-	-	98,809
-	-	6,592	994,284
-	-	-	543,784
-	-	24,080	588,395
<u>1,795,946</u>	<u>100,000</u>	<u>92,316</u>	<u>27,350,852</u>
-	-	4,847	8,917,179
-	-	-	1,078,192
-	-	-	3,013,461
-	-	39,276	1,127,924
-	-	-	5,984,880
-	-	2,792	743,278
-	-	-	2,781,434
1,770,268	-	38,696	1,808,964
-	1,034,091	-	1,544,236
<u>1,770,268</u>	<u>1,034,091</u>	<u>85,611</u>	<u>26,999,548</u>
<u>25,678</u>	<u>(934,091)</u>	<u>6,705</u>	<u>351,304</u>
-	-	-	74,558
550,000	-	1,150	2,023,400
-	-	-	(2,023,400)
-	1,500,000	-	1,500,000
<u>550,000</u>	<u>1,500,000</u>	<u>1,150</u>	<u>1,574,558</u>
575,678	565,909	7,855	1,925,862
847,146	766,340	193,019	13,253,471
<u>1,422,824</u>	<u>1,332,249</u>	<u>200,874</u>	<u>15,179,333</u>

Muscatine County

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

Year ended June 30, 2015

Change in fund balances - Total governmental funds (page 23) \$ 1,925,862

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	\$ 2,466,934	
Capital assets contributed by the Iowa Department of Transportation	403,354	
Depreciation/amortization expense	<u>(2,865,200)</u>	5,088

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 169,533

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

Property tax	(6,000)	
Other	<u>69,778</u>	63,778

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	(1,500,000)	
Repaid	<u>1,258,528</u>	(241,472)

The current year County share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 833,271

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	32,141	
Other postemployment benefits	(16,533)	
Pension expense	(236,276)	
Interest on long-term debt	<u>570</u>	(220,098)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and county insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. (64,502)

Change in net position of governmental activities (page 17) \$ 2,471,460

See notes to financial statements.

Muscatine County
Statement of Net Position
Proprietary Funds

June 30, 2015

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 735,966
Accounts receivable	<u>28,096</u>
Total assets	<u>764,062</u>
Current Liabilities	
Accounts payable	<u>301,863</u>
Net Position	
Unrestricted	<u>\$ 462,199</u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2015

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 2,119,459
Reimbursements from employees and others		<u>297,778</u>
Total operating revenues		2,417,237
Operating expenses:		
Health claims and administrative services	\$ 2,412,259	
Loss contingencies and deductibles	<u>69,480</u>	<u>2,481,739</u>
Operating loss		(64,502)
Net position beginning of year		<u>526,701</u>
Net position end of year		<u><u>\$ 462,199</u></u>
See notes to financial statements.		

Muscatine County

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,153,400
Cash received from employees and others	287,641
Cash paid to suppliers for services	<u>(2,485,599)</u>
Net cash used by operating activities	(44,558)
Cash and cash equivalents beginning of year	<u>780,524</u>
Cash and cash equivalents end of year	<u>\$ 735,966</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (64,502)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	23,803
Decrease in accounts payable	<u>(3,859)</u>
Net cash used by operating activities	<u>\$ (44,558)</u>

See notes to financial statements.

Muscatine County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash, cash equivalents and pooled investments:

County Treasurer \$ 3,928,646

Other County officials 766,789

Receivables:

Property tax:

Delinquent 155,913

Succeeding year 46,465,000

Accounts 19,487

Assessments 116,185

Due from other governments 65,533

Total assets 51,517,553**Liabilities**

Accounts payable 67,049

Salaries and benefits payable 20,424

Due to other governments 50,120,299

Trusts payable 1,194,561

Compensated absences 115,220

Total liabilities 51,517,553**Net position**\$ -

See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Veterans' Plaza Authority, Bi-State Regional Planning Commission, Muscatine County Solid Waste Management Agency, Muscatine Area Geographic Information Consortium, Muscatine County Joint Communications Commission, Iowa Precinct Atlas Consortium, Muscatine County Drug Task Force, Eastern Iowa MHDS Region and Job Training Partnership Act Quality Jobs Program.

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. 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 Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other 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 Funds – Internal Service Funds are 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 are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

Assessments Receivable – Assessments receivable represent amounts assessed to individuals for work done 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. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, 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
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	10 - 65
Buildings and improvements	20 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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 the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. 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.

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

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and tax increment financing receivables 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

Assigned - Amounts the County intends 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.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa public Agency Investment Trust is unrated.

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.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 775
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	6,622 155
Total		<u>\$ 7,552</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, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Rural Services	\$ 32,250
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,440,000
Conservation Youth Corp	General	1,150
Debt Service	General	550,000
Total		<u>\$ 2,023,400</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, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,020,585	52,783	-	2,073,368
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	657,537	653,546	(251,184)	1,059,899
Construction in progress, road network	2,164,975	859,906	(2,232,612)	792,269
Total capital assets not being depreciated/amortized	6,038,810	1,566,235	(2,483,796)	5,121,249
Capital assets being depreciated/amortized:				
Buildings and improvements	35,203,189	190,873	-	35,394,062
Equipment and vehicles	7,534,789	1,617,452	(1,129,986)	8,022,255
Intangibles	347,771	60,146	(35,750)	372,167
Infrastructure, road network	46,536,056	2,232,612	-	48,768,668
Infrastructure, other	1,038,704	60,311	-	1,099,015
Total capital assets being depreciated/amortized	90,660,509	4,161,394	(1,165,736)	93,656,167
Less accumulated depreciation/amortization for:				
Buildings and improvements	11,720,534	885,271	-	12,605,805
Equipment and vehicles	4,617,606	707,072	(925,974)	4,398,704
Intangibles	326,785	29,577	(35,750)	320,612
Infrastructure, road network	18,389,447	1,198,239	-	19,587,686
Infrastructure, other	343,321	45,041	-	388,362
Total accumulated depreciation/amortization	35,397,693	2,865,200	(961,724)	37,301,169
Total capital assets being depreciated/amortized, net	55,262,816	1,296,194	(204,012)	56,354,998
Governmental activities capital assets, net	\$ 61,301,626	2,862,429	(2,687,808)	61,476,247

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 673,254
Physical health and social services	12,684
Mental health	84,533
County environment and education	108,577
Roads and transportation	1,718,845
Governmental services to residents	675
Administration	266,632
Total depreciation/amortization expense - governmental activities	<u>\$ 2,865,200</u>

(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, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 53,074
Special Revenue:		
Mental Health	Services	2,854
Rural Services	Services	350
Secondary Roads	Services	2,438
		<u>5,642</u>
Total for governmental funds		<u>\$ 58,716</u>
Agency:		
County Assessor	Collections	\$ 773,662
Schools		27,000,916
Community Colleges		1,691,026
Corporations		17,204,912
Townships		432,372
Auto License and Use Tax		1,035,090
Drainage Districts		887,182
All other		1,095,139
Total for agency funds		<u>\$ 50,120,299</u>

(7) Long-Term Liabilities

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

	Capital Lease Purchase Agreement	General Obligation County Building Improvement Note	General Obligation Courthouse Geothermal Notes	General Obligation County Building Improvement Note	General Obligation County Building Improvement Note	General Obligation County Building Improvement Note
Balance beginning of year, as restated	\$ 3,528	3,000,000	570,000	200,000	1,215,000	-
Increases	-	-	-	-	-	1,500,000
Decreases	3,528	375,000	95,000	100,000	135,000	150,000
Balance end of year	\$ -	2,625,000	475,000	100,000	1,080,000	1,350,000
Due within one year	\$ -	375,000	95,000	100,000	135,000	150,000

	General Obligation Urban Renewal Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 8,075,000	1,287,267	5,999,548	232,714	20,583,057
Increases	-	762,079	-	74,395	2,336,474
Decreases	400,000	794,220	2,978,038	57,862	5,088,648
Balance end of year	\$ 7,675,000	1,255,126	3,021,510	249,247	17,830,883
Due within one year	\$ 410,000	587,198	-	-	1,852,198

Notes Payable

A summary of the County's June 30, 2015 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	County Building Improvement Note		
		Principal	Interest	Total
2016	1.50%	\$ 375,000	39,375	414,375
2017	1.50	375,000	33,750	408,750
2018	1.50	375,000	28,125	403,125
2019	1.50	375,000	22,500	397,500
2020	1.50	375,000	16,875	391,875
2021-2022	1.50	750,000	16,875	766,875
Total		\$ 2,625,000	157,500	2,782,500

Year Ending June 30,	Interest Rates	Courthouse Geothermal Notes		
		Principal	Interest	Total
2016	3.40%	\$ 95,000	17,860	112,860
2017	3.60	95,000	14,630	109,630
2018	3.80	95,000	11,210	106,210
2019	4.00	95,000	7,600	102,600
2020	4.00	95,000	3,800	98,800
Total		\$ 475,000	55,100	530,100

Year Ending June 30,	Interest Rate	County Building Improvement Note		
		Principal	Interest	Total
2016	1.45%	\$ 100,000	1,474	101,474

Year Ending June 30,	Interest Rates	County Building Improvement Note		
		Principal	Interest	Total
2016	1.10%	\$ 135,000	21,466	156,466
2017	1.30	135,000	19,980	154,980
2018	1.55	135,000	18,226	153,226
2019	1.95	135,000	16,132	151,132
2020	2.20	135,000	13,500	148,500
2021-2023	2.40-2.80	405,000	21,600	426,600
Total		\$ 1,080,000	110,904	1,190,904

Year Ending June 30,	Interest Rates	County Building Improvement Note		
		Principal	Interest	Total
2016	1.50%	\$ 150,000	20,588	170,588
2017	1.95	150,000	23,725	173,725
2018	1.95	150,000	20,759	170,759
2019	1.95	150,000	17,794	167,794
2020	1.95	150,000	14,869	164,869
2021-2025	2.50	600,000	38,031	638,031
Total		\$ 1,350,000	135,766	1,485,766

During the year ended June 30, 2015, the County issued a \$1,500,000 general obligation note for improvements to County buildings. The County retired \$855,000 of general obligation notes during the year.

General Obligation Urban Renewal Bonds

A summary of the County’s June 30, 2015 general obligation urban renewal Build America Bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Jail		
		Principal	Interest *	Total
2016	4.00%	\$ 410,000	394,750	804,750
2017	4.20	425,000	378,350	803,350
2018	4.40	445,000	360,500	805,500
2019	4.60	460,000	340,920	800,920
2020	4.90	480,000	319,760	799,760
2021-2025	5.00-5.40	2,750,000	1,213,200	3,963,200
2026-2029	5.50-5.80	2,705,000	394,760	3,099,760
Total		\$ 7,675,000	3,402,240	11,077,240

* - The County is eligible to receive a 35% tax credit toward interest payments made upon its application to the federal government.

The County retired \$400,000 of general obligation urban renewal bonds during the year.

(8) Pension Plan

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

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

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

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

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

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

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

The County's contributions to IPERS for the year ended June 30, 2015 totaled \$833,271.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$3,021,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0761871%, which was a decrease of 0.028304% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$236,276. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,020	91,246
Changes of assumptions	154,389	64,975
Net difference between projected and actual earnings on pension plan investments	-	2,219,786
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	-	200,876
County contributions subsequent to the measurement date	833,271	-
Total	\$ 1,025,680	2,576,883

\$833,271 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (593,425)
2017	(593,425)
2018	(593,425)
2019	(593,425)
2020	(10,774)
Total	\$ (2,384,474)

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	\$ 8,019,888	\$3,021,510	\$ (1,192,033)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(9) Development Agreements

In November 2010, the County entered into a development agreement with SSAB Iowa, Inc. Under the agreement, SSAB agreed to construct a research and development center. The County will provide a combination of property tax abatement and tax increment rebates. The total to be paid by the County under the agreement is not to exceed \$2,650,000. At June 30, 2015, \$87,902 had been rebated under the agreement, leaving an outstanding balance at June 30, 2015 of \$2,562,098.

In July 2013, the County entered into a development agreement with Van Meter, Inc. Under the agreement, Van Meter, Inc. will construct a warehouse. The County will provide economic development tax increment payments to the developer, not to exceed \$250,000. At June 30, 2015, the outstanding balance of the agreement was \$250,000.

The agreements are not general obligations of the County. However, the agreements are subject to the constitutional debt limitation of the County.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/dental/prescription drug benefits for employees, retirees and their spouses. There are 169 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/dental/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/dental/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, 2015, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 74,335
Interest on net OPEB obligation	9,309
Adjustment to annual required contribution	<u>(9,249)</u>
Annual OPEB cost	74,395
Contributions made	<u>(57,862)</u>
Increase in net OPEB obligation	16,533
Net OPEB obligation beginning of year	<u>232,714</u>
Net OPEB obligation end of year	<u>\$ 249,247</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, 2015.

For the year ended June 30, 2015, the County contributed \$57,862 to the medical plan. Plan members eligible for benefits contributed \$91,360, or 61.2% 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
2013	\$75,145	42.8%	\$202,845
2014	68,452	56.4	232,714
2015	74,395	77.8	249,247

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$845,772 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$845,772. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,095,000 and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the SOA RPH-2014 Total Dataset Mortality Table. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial report as of June 30, 2015.

Projected claim costs of the medical plan for retirees less than age 65 are \$1,292 per month. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) 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 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability,

automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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.

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, 2015 were \$234,888.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$250,000, 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.

(12) Employee Health Insurance Plan

The Internal Service, Health Insurance Trust 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 \$75,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Insurance Trust 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 Health Insurance Trust Fund. The County’s contribution for the year ended June 30, 2015 was \$2,099,459.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2015 total \$300,000, 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 \$400,802 at June 30, 2015 and is reported as a designation of the Internal Service, Health Insurance Trust 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	\$ 304,899
Incurred claims (including claims incurred but not reported at June 30, 2015)	2,412,259
Payment on claims during the fiscal year	<u>(2,417,158)</u>
Unpaid claims end of year	<u><u>\$ 300,000</u></u>

(13) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications 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, 2015:

Additions:		
Contributions from Muscatine County		\$ 1,021,884
Miscellaneous		1,434
Total additions		<u>1,023,318</u>
Deductions:		
Salaries	\$ 523,300	
Benefits	202,419	
Office supplies	2,802	
Legal representation	4,800	
Postage and publicaitons	1,319	
Telephone and internet	7,925	
Travel	927	
Training	2,461	
Equipment replacement	4,992	
Maintenance and rentals	68,148	
Insurance	17,739	
Miscellaneous	2,268	
		<u>839,100</u>
Net		184,218
Balance beginning of year		272,030
Balance end of year		<u>\$ 456,248</u>

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2015:

Additions:		
Grant reimbursements		\$ 38,935
Reimbursements from special investigations		13,600
Restitution		767
Forfeiture		63,638
Miscellaneous		19
Total additions		<u>116,959</u>
Deductions:		
Reimbursements to governmental units	\$ 44,745	
Office supplies and equipment	6,505	
Utilities	673	
Medical	540	
Training	2,324	
Furniture and equipment	17,111	
Investigations	12,400	
Forfeiture	3,361	
Miscellaneous	2,248	
		<u>89,907</u>
Net		27,052
Balance beginning of year		52,781
Balance end of year		<u>\$ 79,833</u>

(14) Industrial Development Revenue Notes

In May 2013, the County issued \$6,000,000 of industrial development revenue notes under the provisions of Chapter 419 of the Code of Iowa on behalf of the Lutheran Homes Society. The notes and related interest are not a liability of the County but are payable solely and only from the revenues derived by the property constructed by the Lutheran Homes Society. The outstanding principal balance was \$3,644,649 as of June 30, 2015.

(15) Subsequent Event

In September 2015, the County entered into a loan agreement to issue a general obligation county purpose note for \$4,200,000 to finance improvements to the County Courthouse, acquiring a telephone system for the County Administration Building and acquiring public safety officer communication equipment.

(16) Muscatine County Financial Information Included in the Eastern Iowa Mental Health Region

Eastern Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Cedar County, Clinton County, Jackson County, Scott County and Muscatine County. The financial activity of Muscatine County's Special Revenue, Mental Health Fund is included in the Eastern Iowa Mental Health Region for the year ended June 30, 2015, as follows:

Revenues:

Property and other county tax		\$ 1,943,426
Intergovernmental revenues:		
State tax credits	\$ 121,682	
Social services block grant	257,716	
Other intergovernmental revenues	<u>102,242</u>	481,640
Charges for service		61,157
Miscellaneous		<u>12,584</u>
Total revenues		<u>2,498,807</u>

Expenditures:

Services to persons with:		
Mental illness	812,257	
Intellectual disabilities	<u>461,317</u>	1,273,574
General administration:		
Direct administration	178,450	
Distribution to regional fiscal agent	<u>920,268</u>	<u>1,098,718</u>
Total expenditures		<u>2,372,292</u>

Excess of revenues over expenditures		126,515
Fund balance beginning of the year		<u>2,002,153</u>
Fund balance end of the year		<u>\$2,128,668</u>

(17) Accounting Change/Restatement

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

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 60,990,372
Net pension liability at June 30, 2014	(5,999,548)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>829,840</u>
Net position July 1, 2014, as restated	<u><u>\$55,820,664</u></u>

Required Supplementary Information

Muscatine 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, 2015

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property tax	\$ 14,835,058	14,797,684	14,797,684	37,374
Tax increment financing and other county tax	2,217,049	2,093,520	2,097,520	119,529
Interest and penalty on property tax	137,527	121,000	121,000	16,527
Intergovernmental	7,776,259	8,004,535	7,963,554	(187,295)
Licenses and permits	102,445	57,100	57,100	45,345
Charges for service	997,896	993,393	993,393	4,503
Use of money and property	528,988	598,530	598,530	(69,542)
Miscellaneous	595,688	181,770	373,770	221,918
Total receipts	27,190,910	26,847,532	27,002,551	188,359
Disbursements:				
Public safety and legal services	8,909,683	9,215,377	9,420,098	510,415
Physical health and social services	1,042,393	1,319,995	1,344,995	302,602
Mental health	3,029,545	2,933,009	3,863,277	833,732
County environment and education	1,155,979	1,167,306	1,328,216	172,237
Roads and transportation	5,957,274	6,095,000	6,095,000	137,726
Governmental services to residents	742,308	781,309	795,509	53,201
Administration	2,751,078	2,922,082	2,931,582	180,504
Debt service	1,808,964	1,820,750	1,824,750	15,786
Capital projects	1,621,266	3,466,000	2,719,000	1,097,734
Total disbursements	27,018,490	29,720,828	30,322,427	3,303,937
Excess (deficiency) of receipts over (under) disbursements	172,420	(2,873,296)	(3,319,876)	3,492,296
Other financing sources, net	1,577,515	1,517,000	1,517,000	60,515
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,749,935	(1,356,296)	(1,802,876)	3,552,811
Balance beginning of year	13,058,451	9,475,500	12,799,486	258,965
Balance end of year	\$ 14,808,386	8,119,204	10,996,610	3,811,776

See accompanying independent auditor's report.

Muscatine County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 27,190,910	159,942	27,350,852
Expenditures	27,018,490	(18,942)	26,999,548
Net	172,420	178,884	351,304
Other financing sources, net	1,577,515	(2,957)	1,574,558
Beginning fund balances	13,058,451	195,020	13,253,471
Ending fund balances	\$ 14,808,386	370,947	15,179,333

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, 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 \$601,599. 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, 2015, disbursements did not exceed the amounts budgeted.

Muscatine County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.0761871%
County's collective proportionate share of the net pension liability (asset)	\$ 3,022
County's covered-employee payroll	\$ 8,908
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.92%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

Muscatine County

Schedule of County Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 833	830	854	829
Contributions in relation to the statutorily required contribution	<u>(833)</u>	<u>(830)</u>	<u>(854)</u>	<u>(829)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 8,939	8,908	9,282	9,468
Contributions as a percentage of covered-employee payroll	9.32%	9.32%	9.20%	8.76%

* - County's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered payroll could not be calculated.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
666	614	564	459	433	416
<u>(666)</u>	<u>(614)</u>	<u>(564)</u>	<u>(459)</u>	<u>(433)</u>	<u>(416)</u>
-	-	-	-	-	-
8,513	8,480	8,164	*	*	*
7.82%	7.24%	6.91%	*	*	*

Muscatine County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

Muscatine 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008		\$ 553	553	0.0%	\$ 7,788	7.1%
2010	Jul 1, 2008	-	553	553	0.0	7,910	7.0
2011	Jul 1, 2008	-	589	589	0.0	8,076	7.3
2012	Jul 1, 2011	-	944	944	0.0	8,429	11.2
2013	Jul 1, 2011	-	920	920	0.0	8,682	10.6
2014	Jul 1, 2011	-	845	845	0.0	8,942	9.5
2015	Jul 1, 2014	-	846	846	0.0	8,095	10.4

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

See accompanying independent auditor's report.

Supplementary Information

Muscatine County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

			Special
	County Recorder's Records Management	Resource Enhance- ment and Protection	County Sheriff's Forfeiture
Assets			
Cash, cash equivalents and pooled investments	\$ 17,974	105,769	89,716
Receivables:			
Succeeding year tax increment financing	-	-	-
Total assets	\$ 17,974	105,769	89,716
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	19,874	-
Salaries payable	-	97	-
Total liabilities	-	19,971	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Fund balances:			
Restricted for other purposes	17,974	85,798	89,716
Total liabilities, deferred inflows of resources and fund balances	\$ 17,974	105,769	89,716

See accompanying independent auditor's report.

Revenue		
County Attorney's Forfeiture	Tax Increment Financing	Total
7,386	-	220,845
-	72,000	72,000
7,386	72,000	292,845
-	-	19,874
-	-	97
-	-	19,971
-	72,000	72,000
7,386	-	200,874
7,386	72,000	292,845

Muscatine County

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

Year ended June 30, 2015

	County Recorder's Records Management	Resource Enhance- ment and Protection	Special Conservation Youth Corp
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	22,948	-
Charges for service	6,592	-	-
Miscellaneous	-	-	-
Total revenues	6,592	22,948	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	31,470	7,806
Governmental services to residents	2,792	-	-
Debt service	-	-	-
Total expenditures	2,792	31,470	7,806
Excess (deficiency) of revenues over (under) expenditures	3,800	(8,522)	(7,806)
Other financing sources:			
Transfers in	-	-	1,150
Change in fund balances	3,800	(8,522)	(6,656)
Fund balances beginning of year	14,174	94,320	6,656
Fund balances end of year	\$ 17,974	85,798	-

See accompanying independent auditor's report.

Revenue				
County Sheriff's Forfeiture	County Attorney's Forfeiture	Tax Increment Financing		Total
-	-	38,696		38,696
-	-	-		22,948
-	-	-		6,592
19,273	4,807	-		24,080
19,273	4,807	38,696		92,316
4,313	534	-		4,847
-	-	-		39,276
-	-	-		2,792
-	-	38,696		38,696
4,313	534	38,696		85,611
14,960	4,273	-		6,705
-	-	-		1,150
14,960	4,273	-		7,855
74,756	3,113	-		193,019
89,716	7,386	-		200,874

Schedule 3

Muscatine County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2015

	Health Insurance Trust	County Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 672,706	63,260	735,966
Accounts receivable	28,096	-	28,096
Total assets	700,802	63,260	764,062
Liabilities			
Accounts payable	300,000	1,863	301,863
Net Position			
Unrestricted	\$ 400,802	61,397	462,199

See accompanying independent auditor's report.

Muscatine County

Combining Schedule of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2015

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 2,099,459	20,000	2,119,459
Reimbursements from others	243,838	53,940	297,778
Total operating revenues	2,343,297	73,940	2,417,237
Operating expenses:			
Health claims and administrative services	2,412,259	-	2,412,259
Loss contingencies and deductibles	-	69,480	69,480
Total operating expenses	2,412,259	69,480	2,481,739
Operating income (loss)	(68,962)	4,460	(64,502)
Net position beginning of year	469,764	56,937	526,701
Net position end of year	\$ 400,802	61,397	462,199

See accompanying independent auditor's report.

Schedule 5

Muscatine County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2015

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 2,099,459	53,941	2,153,400
Cash received from others	267,641	20,000	287,641
Cash paid to suppliers for services	(2,417,158)	(68,441)	(2,485,599)
Net cash provided (used) by operating activities	(50,058)	5,500	(44,558)
Cash and cash equivalents beginning of year	722,764	57,760	780,524
Cash and cash equivalents end of year	\$ 672,706	63,260	735,966
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (68,962)	4,460	(64,502)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase in accounts receivable	23,803	-	23,803
Increase (decrease) in accounts payable	(4,899)	1,040	(3,859)
Net cash provided (used) by operating activities	\$ (50,058)	5,500	(44,558)

See accompanying independent auditor's report.

Muscatine County

Muscatine County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,172	219,562	287,844	14,066	178,524
Other County officials	686,956	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	921	2,052	100,072	5,960	44,203
Succeeding year	-	250,000	616,000	26,613,000	1,671,000	16,866,000
Accounts	2,508	-	-	-	-	-
Assessments	-	-	-	-	-	116,185
Due from other governments	-	-	-	-	-	-
Total assets	\$689,464	253,093	837,614	27,000,916	1,691,026	17,204,912
Liabilities						
Accounts payable	\$ -	-	613	-	-	-
Salaries and benefits payable	-	-	3,042	-	-	-
Due to other governments	36,940	253,093	773,662	27,000,916	1,691,026	17,204,912
Trusts payable	652,524	-	-	-	-	-
Compensated absences	-	-	60,297	-	-	-
Total liabilities	\$689,464	253,093	837,614	27,000,916	1,691,026	17,204,912

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
3,885	1,035,090	887,040	456,248	-	844,215	3,928,646
-	-	-	-	79,833	-	766,789
2,487	-	-	-	-	218	155,913
426,000	-	-	-	-	23,000	46,465,000
-	-	-	-	-	16,979	19,487
-	-	-	-	-	-	116,185
-	-	142	-	-	65,391	65,533
432,372	1,035,090	887,182	456,248	79,833	949,803	51,517,553
-	-	-	-	-	66,436	67,049
-	-	-	16,869	-	513	20,424
432,372	1,035,090	887,182	389,544	79,833	335,729	50,120,299
-	-	-	-	-	542,037	1,194,561
-	-	-	49,835	-	5,088	115,220
432,372	1,035,090	887,182	456,248	79,833	949,803	51,517,553

Muscatine County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 749,455	251,616	803,820	26,908,620	1,634,645
Additions:					
Property and other county tax	-	250,390	618,344	26,629,990	1,675,970
E911 surcharge	-	-	-	-	-
State tax credits	-	15,557	34,662	1,770,576	100,899
Office fees and collections	674,197	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	3,250,839	-	-	-	-
Miscellaneous	5,930	-	644	-	-
Total additions	3,930,966	265,947	653,650	28,400,566	1,776,869
Deductions:					
Agency remittances:					
To other funds	368,671	-	-	-	-
To other governments	305,214	264,470	619,856	28,308,270	1,720,488
Trusts paid out	3,317,072	-	-	-	-
Total deductions	3,990,957	264,470	619,856	28,308,270	1,720,488
Balances end of year	\$ 689,464	253,093	837,614	27,000,916	1,691,026

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
16,713,456	439,629	986,946	812,126	272,030	52,781	785,672	50,410,796
16,861,050	428,652	-	-	-	-	2,132,303	48,596,699
-	-	-	-	-	-	107,793	107,793
1,112,142	22,310	-	-	-	-	1,369	3,057,515
-	-	-	-	-	-	-	674,197
-	-	12,082,442	-	-	-	-	12,082,442
18,602	-	-	195,136	-	-	-	213,738
-	-	-	-	-	-	722,202	3,973,041
-	-	-	27,600	1,023,318	116,959	1,526,345	2,700,796
17,991,794	450,962	12,082,442	222,736	1,023,318	116,959	4,490,012	71,406,221
-	-	386,554	-	-	-	-	755,225
17,500,338	458,219	11,647,744	147,680	839,100	89,907	3,603,679	65,504,965
-	-	-	-	-	-	722,202	4,039,274
17,500,338	458,219	12,034,298	147,680	839,100	89,907	4,325,881	70,299,464
17,204,912	432,372	1,035,090	887,182	456,248	79,833	949,803	51,517,553

Muscatine County

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 15,270,600	15,361,152	15,013,220	14,501,893
Local option sales tax	1,748,584	1,674,268	1,578,784	1,660,363
Tax increment financing	38,696	28,799	20,326	2,646,694
Interest and penalty on property tax	137,528	26,500	137,636	142,125
Intergovernmental	7,930,172	8,736,740	8,407,267	12,088,460
Licenses and permits	98,809	79,010	69,129	56,217
Charges for service	994,284	1,045,893	1,049,328	1,014,654
Use of money and property	543,784	537,210	728,408	529,790
Miscellaneous	588,395	349,462	229,717	255,121
Total	\$ 27,350,852	27,839,034	27,233,815	32,895,317
Expenditures:				
Operating:				
Public safety and legal services	\$ 8,917,179	8,502,516	9,230,897	9,097,021
Physical health and social services	1,078,192	1,165,740	1,111,050	1,165,653
Mental health	3,013,461	2,481,692	2,555,780	6,145,291
County environment and education	1,127,924	1,012,652	924,589	920,798
Roads and transportation	5,984,880	5,123,328	5,082,667	5,284,511
Governmental services to residents	743,278	783,569	758,477	920,329
Administration	2,781,434	2,575,095	2,700,947	2,713,389
Non-program	-	-	-	-
Debt service	1,808,964	1,630,158	1,574,173	4,461,871
Capital projects	1,544,236	4,796,032	2,895,030	1,219,947
Total	\$ 26,999,548	28,070,782	26,833,610	31,928,810

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
14,082,221	13,301,678	12,374,917	11,687,141	10,903,381	9,427,758
1,515,990	1,569,049	1,890,098	1,525,736	1,612,758	1,426,194
2,524,868	2,426,949	2,710,391	2,779,066	2,728,449	2,518,739
163,591	143,331	158,370	177,397	135,701	129,222
9,343,296	9,280,544	9,625,903	7,279,800	8,658,921	7,917,815
49,240	57,704	58,197	71,353	90,155	134,265
999,475	949,125	786,881	953,362	1,044,584	993,581
333,308	336,494	476,709	671,957	808,911	690,112
115,649	163,573	277,782	119,239	400,300	267,666
29,127,638	28,228,447	28,359,248	25,265,051	26,383,160	23,505,352
7,905,440	7,263,162	6,661,244	6,430,196	6,190,825	5,995,995
1,178,269	1,295,177	1,518,634	1,397,525	1,345,536	1,244,312
5,068,043	4,673,403	4,686,393	4,899,395	4,560,083	4,872,925
1,396,550	1,611,528	1,514,371	855,660	862,523	811,459
4,101,712	6,087,223	6,741,764	3,995,683	3,965,737	3,679,065
820,077	874,604	819,374	744,212	772,229	1,045,653
2,562,491	2,526,382	2,486,510	2,202,626	2,149,595	2,060,956
-	-	-	482	329	94
4,175,606	3,835,638	3,908,576	3,862,312	3,873,429	3,395,626
7,032,504	5,338,057	1,004,988	2,229,263	2,543,108	1,205,609
34,240,692	33,505,174	29,341,854	26,617,354	26,263,394	24,311,694

Muscatine County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 3,977
U.S. Department of Homeland Security:			
Emergency Food and Shelter National Board Program	97.024		500
Total direct			<u>4,477</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561		<u>45,158</u>
U.S. Department of Defense:			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>79,839</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
Wildlife Restoration and Basic Hunter Education	15.611	F13AF00402	<u>715</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-15-68CJ	<u>2,662</u>
City of Muscatine:			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	2013-DJ- BX-0179	10,687
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	12JAG-79083	<u>38,935</u>
			<u>49,622</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures			
Incentive Grants	20.601	14-405d Task 40	10,228
Alcohol Impaired Driving Countermeasures			
Incentive Grants	20.601	14-405d, Task 39	<u>18,762</u>
			<u>28,990</u>

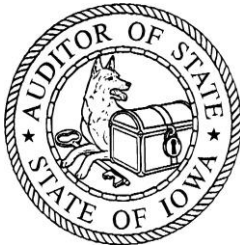
Muscatine County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	5884CH41A	7,984
Affordable Care Act (ACA) Abstinence Education Program	93.235	5885CH41A	16,161
			<u>24,145</u>
State Rural Hospital Flexibility Program	93.241	5885EM122	<u>5,000</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		<u>95</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>11,603</u>
Foster Care_Title IV-E	93.658		<u>17,253</u>
Adoption Assistance	93.659		<u>5,428</u>
Children's Health Insurance Program	93.767		<u>278</u>
Medical Assistance Program	93.778		<u>85,231</u>
Social Services Block Grant	93.667		<u>13,888</u>
Eastern Iowa MHDS Region:			
Social Services Block Grant	93.667		<u>257,716</u>
			<u>271,604</u>
Executive Office of the President:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Areas Program	95.001	G13MW0002A	3,062
High Intensity Drug Trafficking Areas Program	95.001	G14MW0002A	13,845
High Intensity Drug Trafficking Areas Program	95.001	G15MW0002A	41,188
			<u>58,095</u>
U.S. Department of Homeland Security:			
Iowa Department of Natural Resources:			
Boating Safety Financial Assistance	97.012	15-584	<u>20,625</u>
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4119-DR-IA	<u>208,887</u>
Hazard Mitigation Grant	97.039	DR-4018-0003-01	<u>8,879</u>
Emergency Management Performance Grants	97.042	EMPG-14-PT-70	<u>7,994</u>
Emergency Management Performance Grants	97.042	EMPG-15-PT-70	<u>26,365</u>
			<u>34,359</u>
Total indirect			<u>958,468</u>
Total			<u>\$ 962,945</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Muscatine 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.

Muscatine 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 Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muscatine 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 Muscatine County's internal control. Accordingly, we do not express an opinion on the effectiveness of Muscatine 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 deficiencies in internal control we consider to be material weaknesses.

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-15 and II-B-15 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muscatine 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Muscatine County's Responses to the Findings


Muscatine County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Muscatine 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 Muscatine 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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 11, 2016

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

Muscatine County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 Muscatine County:

Report on Compliance for Each Major Federal Program

We have audited Muscatine 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 programs for the year ended June 30, 2015. Muscatine County's major federal programs are 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 each of Muscatine County's major federal programs 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 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 Muscatine 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 each of the major federal programs. However, our audit does not provide a legal determination of Muscatine County's compliance.

Opinion on each Major Federal Program

In our opinion, Muscatine County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Muscatine 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 Muscatine County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Muscatine County's internal control over compliance.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 11, 2016

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) 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) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each of the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 12.112 – Payments to States in Lieu of Real Estate Taxes.
 - CFDA Number 93.667 – Social Services Block Grant.
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Financial Reporting – During the audit, we identified material amounts of receivables and deferred inflows of resources not properly classified in the County’s financial statements. Adjustments were subsequently made by the County to properly classify these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and deferred inflows of resources are properly classified in the County’s financial statements.

Response – We will make every effort to ensure proper classification of receivables and deferred inflows of resources.

Conclusion – Response accepted.

II-B-15 Segregation of Duties – During our review of the 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, maximize the accuracy of the County’s financial statements. The following weaknesses in the offices identified were noted for which no compensating controls exist:

County Recorder – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements. Also, responsibilities for maintaining detailed accounts receivable records are not segregated from those for collections and records postings. Also, the bank reconciliations are not reviewed by a person who is not responsible for receipts and disbursements.

Community Services – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements. Also, responsibilities for maintaining detailed accounts receivable records are not segregated from those for collections and records postings. Also, the bank reconciliations are not reviewed by a person who is not responsible for receipts and disbursements.

County Attorney - Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements. The bank reconciliations are not reviewed by a person who is not responsible for receipts and disbursements. A bank reconciliation is not prepared for the seized asset bank account.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

Responses –

County Recorder – We will try to utilize individuals outside the office to segregate duties to the best of our ability.

Community Services – We will try to utilize individuals outside the office to segregate duties to the best of our ability.

County Attorney – Bank reconciliations will include all bank accounts and will be performed by an independent person and the review will be documented by the signature of the reviewer and date.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-15 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Matt Bowers, Deputy Sheriff, Owner of Blueline EVS, LLC	Vehicle repair/outfitting	\$ 7,570

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transactions with Blueline EVS, LLC. may represent a conflict of interest since total transactions exceeded \$1,500 during the year and the transactions were not competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County will contact legal counsel and develop policies and procedures to comply with Chapter 331.342(2)(c) of the Code of Iowa.

Conclusion – Response accepted.

IV-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-15 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-15 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).

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-I-15 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.

IV-J-15 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-K-15 Emergency Management Budget - Chapter 29C.17 (6) of the Code of Iowa states, in part, the Emergency Management Commission shall adopt, certify, and provide a budget, on or before February 28 of each year. The budget for the Emergency Management Commission was not adopted until March 24, 2014.

Recommendation – The Commission should implement procedures to ensure budgets are adopted and certified on or before February 28.

Response – The Commission will make every effort to ensure budgets are adopted and certified on or before February 28.

Conclusion – Response accepted.

IV-L-15 Muscatine County Drug Task Force – The Muscatine County Drug Task Force is operated under the authority of Chapter 28E of the Code of Iowa and is administered by an Executive Committee separate and distinct from County operations. The following findings relate to the Muscatine County Drug Task Force:

- 1) Chapter 28E(6)(3)(a) of the Code of Iowa requires the Muscatine County Drug Task Force to publish a summary of the proceedings of each regular, adjourned, or special meeting, a schedule of bills allowed and gross salaries of any employees after adjournment of the meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity. Minutes of meetings should include date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. However, gross salaries should be published at least annually. The Muscatine County Drug Task Force did not comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.
- 2) The Department of Justice, Equitable Sharing Agreement, Internal Controls, states, in part, “State funds from state and local forfeitures and other sources must not be commingled with federal sharing funds.” The Muscatine County Drug Task Force does not have separate accounts for federal forfeitures received.
- 3) The Muscatine County Drug Task Force Executive Committee established an operating account limitation of \$40,000. At June 30, 2015, the balance of the operating account was \$79,833.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation –

- 1) The Task Force should comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.
- 2) The Task Force should use separate accounts to account for federal sharing funds from state and local forfeitures.
- 3) The Task Force should establish procedures to either distribute excess funds to participating members or increase the operating limit prior to exceeding the limit.

Response –

- 1) The Task Force will comply with Chapter 28E(6)(3)(b) going forward.
- 2) The Task Force will use a separate account to account for federal sharing funds from state and local forfeitures.
- 3) The Task Force will establish procedures for the disposition of excess funds.

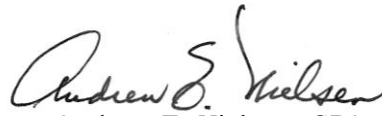
Conclusion – Response accepted.

Muscatine County

Staff

This audit was performed by:

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