



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
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**NEWS RELEASE**

FOR RELEASE

March 11, 2016

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$21,580,738 for the year ended June 30, 2015, which included \$1,473,544 in tax credits from the state. The County forwarded \$15,605,685 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,975,053 of the local tax revenue to finance County operations, an 8% increase over the prior year. Other revenues included charges for service of \$1,281,239, operating grants, contributions and restricted interest of \$4,066,097, capital grants, contributions and restricted interest of \$551,903, tax increment financing of \$93,002, local option sales tax of \$450,511, unrestricted investment earnings of \$39,212 and other general revenues of \$68,445.

Expenses for County operations for the year ended June 30, 2015 totaled \$11,934,284, a 2.4% decrease from the prior year. Expenses included \$5,303,717 for roads and transportation, \$1,743,331 for public safety and legal services and \$1,771,882 for administration.

The increase in revenues is primarily due to an increase in property valuations in the County.

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/1510-0038-B00F.pdf>.

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

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**Grundy County**

**Grundy County**

**Officials**

**(Before January 2015)**

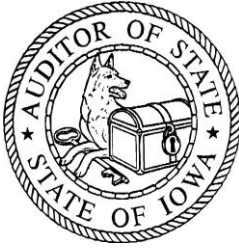
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harlyn Riekema	Board of Supervisors	Jan 2015
Mark Schildroth	Board of Supervisors	Jan 2015
Charles Bakker	Board of Supervisors	Jan 2017
James Ross	Board of Supervisors	Jan 2017
Barbara Smith	Board of Supervisors	Jan 2017
Rhonda Deters	County Auditor	Jan 2017
Brenda Noteboom	County Treasurer	Jan 2015
Charles Kruse	County Recorder	Jan 2015
Rick Penning	County Sheriff	Jan 2017
Kirby Schmidt	County Attorney	Jan 2015
John Freese	County Assessor	Jan 2016

**(After January 2015)**

Charles Bakker	Board of Supervisors	Jan 2017
James Ross	Board of Supervisors	Jan 2017
Barbara Smith	Board of Supervisors	Jan 2017
Harlyn Riekema	Board of Supervisors	Jan 2019
Mark Schildroth	Board of Supervisors	Jan 2019
Rhonda Deters	County Auditor	Jan 2017
Brenda Noteboom	County Treasurer	Jan 2019
Travis Case	County Recorder	Jan 2019
Rick Penning	County Sheriff	Jan 2017
Erika Allen	County Attorney	Jan 2019
John Freese	County Assessor	Jan 2016

**Grundy County**





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Independent Auditor's Report

To the Officials of Grundy 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 Grundy 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 Grundy 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 15, Grundy 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 11 through 18 and 56 through 66 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 Grundy 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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 February 8, 2016 on our consideration of Grundy 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 Grundy County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 8, 2016

**Grundy County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Grundy 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 Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$2,335,298 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 financial statement amounts for fiscal year 2014 pension expense and the net pension liabilities, 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 increased 7%, or approximately \$826,000. Charges for service increased approximately \$45,000, operating grants, contributions and restricted interest increased approximately \$546,000, capital grants, contributions and restricted interest decreased approximately \$220,000 and property and other county tax increased approximately \$343,000.
- Program expenses decreased approximately \$292,000, or 2.4%, from fiscal year 2014 to fiscal year 2015. Roads and transportation function expenses decreased approximately \$62,000 and physical health and social services function expenses decreased approximately \$108,000.
- The County's net position after restatement increased 2.5%, or approximately \$591,000, from June 30, 2014 to June 30, 2015.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Grundy 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 Grundy 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

Grundy 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 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, and 3) the Debt Service 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) The proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

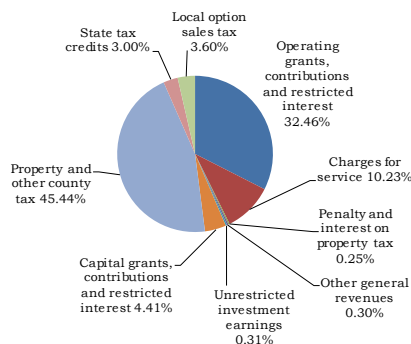
As noted earlier, net position may serve over time as a useful indicator of financial position. Grundy County's combined net position changed from a year ago, decreasing from approximately \$26,407,000 to approximately \$24,663,000. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2015	2014
	(Not Restated)	
Current and other assets	\$ 27,153	26,787
Capital assets	19,701	20,417
Total assets	46,854	47,204
Deferred outflows of resources	450	-
Long-term liabilities	15,635	14,694
Other liabilities	311	427
Total liabilities	15,946	15,121
Deferred inflows of resources	6,695	5,676
Net position:		
Net investment in capital assets	19,701	20,417
Restricted	5,408	4,411
Unrestricted	(446)	1,579
Total net position	\$ 24,663	26,407

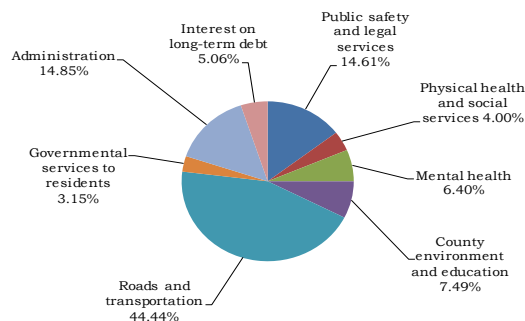
Net position of Grundy County's governmental activities decreased approximately \$1,744,000 (from approximately \$26,407,000 compared to approximately \$24,663,000). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less 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 from approximately \$1,579,000 at June 30, 2014 to a deficit of approximately \$446,000 at the end of this year, a decrease of 132.8%. The decrease was primarily due to recording the County's proportionate share of the net pension liability as of July 1, 2014.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015 (Not Restated)	2014
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,281	1,236
Operating grants, contributions and restricted interest	4,066	3,520
Capital grants, contributions and restricted interest	552	772
<b>General revenues:</b>		
Property and other county tax, including tax increment financing	5,692	5,349
Penalty and interest on property tax	31	37
State tax credits	376	288
Local option sales tax	451	381
Unrestricted investment earnings	39	38
Other general revenues	37	78
<b>Total revenues</b>	<b>12,525</b>	<b>11,699</b>
<b>Program expenses:</b>		
Public safety and legal services	1,743	1,795
Physical health and social services	477	585
Mental health	764	737
County environment and education	894	949
Roads and transportation	5,304	5,366
Governmental services to residents	376	370
Administration	1,772	1,785
Interest on long-term debt	604	639
<b>Total expenses</b>	<b>11,934</b>	<b>12,226</b>
<b>Change in net position</b>	<b>591</b>	<b>(527)</b>
<b>Net position beginning of year, as restated</b>	<b>24,072</b>	<b>26,934</b>
<b>Net position end of year</b>	<b>\$ 24,663</b>	<b>26,407</b>

Revenues by Source



Expenses by Function





Grundy County's property tax rates have been consistent in prior years. For fiscal year (FY) 2015, the rural levy rate was \$3.19188 per \$1,000 of taxable valuation, an increase of \$0.07657 per \$1,000 of taxable valuation over the fiscal year 2014 rural levy rate. The countywide levy was \$5.66244 per \$1,000 of taxable valuation in fiscal year 2015, an increase of \$0.30673 per \$1,000 of taxable valuation compared to fiscal year 2014. Taxable valuation by levy, the actual levy rate per \$1,000 of taxable valuation and total dollars levied are as follows:

	Taxes Levied FY2015	Taxes Levied FY2014
Countywide taxable valuation	\$ 739,581,364	722,230,994
Countywide levy rate without debt service	5.66244	5.35571
Dollars levied without debt service	4,187,835	3,868,060
County taxable debt service valuation	780,444,579	763,356,857
County debt service levy rate	-	-
Dollars levied debt service	-	-
Total countywide rate	5.66244	5.35571
Total dollars levied countywide	4,187,835	3,868,050
Rural taxable valuation	512,913,443	501,048,789
Rural tax levy rate	3.19188	3.11531
Dollars levied rural area only	1,637,158	1,560,922
Total dollars levied	\$ 5,824,993	5,428,982

Local option sales tax revenue totaled \$450,511. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Special Revenue, Rural Services Fund.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$20,232,367, an increase from last year's total of \$20,183,839. The increase in fund balance is primarily attributable to an increase in property tax rates, local option sales tax and mental health funding. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$295,271 from the prior year to \$2,164,807. Total revenues increased 5%. Total expenditures decreased 5%, or \$253,101, compared to fiscal year 2014.
- The County has continued to look for ways to effectively manage the cost of mental health services. Total revenues increased \$90,266, primarily due to higher reimbursements received from County Social Services, the mental health region. Expenditures totaled \$773,570, an increase of \$36,523 from the prior year. The Special Revenue, Mental Health Fund year-end balance increased \$51,692 from the prior year.
- The Special Revenue, Rural Services Fund balance decreased \$34,735 from the prior year. Expenditures increased 6%, or \$36,593, compared to fiscal year 2014. Revenues increased \$113,717, primarily due to an increase in property tax and local option sales tax revenues. Of the \$736,811 fund balance, \$224,483 is restricted as a reserve for the landfill/transfer station.

- Special Revenue, Secondary Roads Fund expenditures decreased \$252,332 from the prior year, due primarily to decreased expenditures for snow and ice control during fiscal year 2015. Revenues decreased \$245,490. The decrease in revenues was a result of delayed reimbursements from FEMA for storm damage repairs. The Secondary Roads Fund ending fund balance increased \$441,633 to \$2,952,722.
- The Special Revenue, Landfill Closure Costs Fund balance decreased \$43,211 from the prior year to \$844,829. Closure/postclosure care costs of \$49,708 were expended from this fund during fiscal year 2015.
- The Debt Service Fund accumulates and pays the principal and interest on debt issued for the general obligation urban renewal capital loan notes. The proceeds were used to make a loan to the Grundy County Memorial Hospital for a building expansion project. These notes are anticipated to be paid by Grundy County Memorial Hospital and, therefore, no debt service tax is expected to be levied. The fund balance is restricted for debt service. The fund balance is large because the related debt is not recorded as a fund liability under the modified accrual basis of accounting.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Grundy County amended its budget once. The amendment was made in April 2015 and resulted in a decrease in budgeted governmental expenditures, primarily due to a delay in constructing a new government annex building. The budget for expenditures decreased \$819,822 in total due to increased and decreased costs identified across various functions.

The County's actual receipts were \$392,673 less than budgeted, a variance of 3%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$1,609,638 less than the amended budget, a variance of 12%. Actual disbursements for the public safety and legal services, administration and capital projects functions were \$120,784, \$262,029 and \$907,167, respectively, less than budgeted. Disbursements for the administration function were less than budgeted, due primarily to completing the land purchase at a lower than expected cost and construction on the annex building did not begin until fiscal year 2016. Disbursements for the capital projects function were less than budgeted, due primarily to project completion delays.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, Grundy County had \$19,701,196 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net decrease (including additions and deletions) of \$715,810, or approximately 3.5%, from last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2015	2014
Land	\$ 1,361,331	1,309,331
Construction in process, road network	126,841	126,841
Buildings	2,729,627	2,817,558
Improvements other than buildings	451,129	456,269
Equipment and vehicles	2,039,342	1,953,038
Intangibles	82,622	-
Infrastructure, road network	12,910,304	13,753,969
Total	\$ 19,701,196	20,417,006

This year's major additions include:

2015 John Deere motorgrader	\$ 276,690
Roadside park playground equipment and shed	70,000
Property at 706 H Ave, Grundy Center	52,000
County Sheriff and conservation vehicles	65,235
Total	\$ 463,925

The County had depreciation/amortization expense of \$1,368,897 in fiscal year 2015 and total accumulated depreciation/amortization of \$12,385,275 at June 30, 2015.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2015, Grundy County had \$12,970,000 of general obligation urban renewal capital loan notes outstanding, compared to \$13,620,000 of long term debt outstanding at June 30, 2014.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2015	2014
General obligation notes	\$ 12,970,000	13,620,000

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. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$77 million. Additional information about the County's long-term debt and other long-term liabilities is presented in Note 6 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Grundy County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2015 stands at 3.6%, which is down from 4.1% as of June, 2014. This compares with the State's unemployment rate of 3.7%. Interest income is very stagnant after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa currently has a budget surplus, but relatively flat revenue projections continue. The uncertainty of revenue projections for the State of Iowa are keeping Grundy County's state funding in question for the fiscal year 2016 budget.

These indicators were taken into account when adopting the budget for fiscal year 2016. The fiscal year 2016 budget of \$16,607,700 increased 14.8% from the fiscal year 2015 original budget of \$14,462,039. Property tax will increase slightly, even though the tax rate is decreasing slightly, because assessed valuations have increased. Budgeted disbursements are expected to increase \$3,557,176 from the fiscal year 2015 final budgeted amounts. The County believes higher costs will impact all departments and amounts available for roads, costs of upgrading computer software and increases in IT/GIS maintenance fees will impact the fiscal year 2016 budget. The County is also planning on constructing a new county services building near the courthouse and those costs were budgeted for in fiscal years 2015 and 2016.

If these estimates are realized, the County's ending cash balance is expected to decrease \$1,508,594 by the close of fiscal year 2016 from the fiscal year 2015 ending cash balance.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Grundy County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Grundy County Auditor's Office, 706 G Avenue, Grundy Center, Iowa 50638.

## **Basic Financial Statements**

**Exhibit A**

Grundy County  
Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 6,526,380
Receivables:	
Property tax:	
Delinquent	989
Succeeding year	5,622,200
Succeeding year tax increment financing	82,500
Interest and penalty on property tax	750
Loan to Grundy County Memorial Hospital	12,970,000
Accounts	5,064
Accrued interest	6,054
Due from other governments	915,399
Inventories	747,553
Prepaid insurance	276,231
Capital assets, net of accumulated depreciation	19,701,196
<b>Total assets</b>	<u>46,854,316</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	450,419
<b>Liabilities</b>	
Accounts payable	177,769
Accrued interest payable	48,212
Salaries and benefits payable	55,384
Due to other governments	30,090
Long-term liabilities:	
Portion due or payable within one year:	
General obligation urban renewal capital loan notes	675,000
Compensated absences	194,900
Portion due or payable after one year:	
General obligation urban renewal capital loan notes	12,295,000
Estimated liability for landfill closure and postclosure care	676,800
Compensated absences	160,527
Net pension liability	1,575,872
Net OPEB liability	57,032
<b>Total liabilities</b>	<u>15,946,586</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	5,622,200
Unavailable tax increment financing	82,500
Pension related deferred inflows	990,276
<b>Total deferred inflows of resources</b>	<u>6,694,976</u>
<b>Net Position</b>	
Net investment in capital assets	
Restricted for:	19,701,196
Supplemental levy purposes	544,925
Mental health purposes	356,162
Rural services purposes	512,328
Secondary roads purposes	3,271,042
Landfill closure and postclosure care	392,512
Conservation purposes	141,018
Other purposes	190,382
Unrestricted	(446,392)
<b>Total net position</b>	<u>\$ 24,663,173</u>

See notes to financial statements.

Grundy County

Statement of Activities

Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,743,331	351,189	20,701	-	(1,371,441)
Physical health and social services	476,765	11,050	92,208	-	(373,507)
Mental health	764,073	108,571	182,220	-	(473,282)
County environment and education	894,466	60,418	49,984	1,179	(782,885)
Roads and transportation	5,303,717	182,414	3,114,229	550,724	(1,456,350)
Governmental services to residents	375,684	260,802	15	-	(114,867)
Administration	1,771,882	306,795	72	-	(1,465,015)
Interest on long-term debt	604,366	-	606,668	-	2,302
<b>Total</b>	<b>\$ 11,934,284</b>	<b>1,281,239</b>	<b>4,066,097</b>	<b>551,903</b>	<b>(6,035,045)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					\$ 5,599,242
Tax increment financing					93,002
Penalty and interest on property tax					31,196
State tax credits					375,811
Local option sales tax					450,511
Unrestricted investment earnings					39,212
Gain on disposition of capital assets					35,652
Miscellaneous					1,597
<b>Total general revenues</b>					<b>6,626,223</b>
Change in net position					591,178
Net position beginning of year, as restated					24,071,995
Net position end of year					<b>\$ 24,663,173</b>

See notes to financial statements.

Grundy County  
Balance Sheet  
Governmental Funds

June 30, 2015

	General	Special	
		Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 2,073,742	312,826	523,715
Receivables:			
Property tax:			
Delinquent	639	91	259
Succeeding year	3,510,200	427,900	1,684,100
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	750	-	-
Loan	-	-	-
Accounts	5,004	-	-
Accrued interest	4,534	-	-
Due from other governments	15,666	64,396	71,063
Inventories	-	-	-
Prepaid insurance	127,223	-	149,008
<b>Total assets</b>	<b>\$ 5,737,758</b>	<b>805,213</b>	<b>2,428,145</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 32,185	7,661	3,896
Salaries and benefits payable	6,441	242	1,899
Due to other governments	21,557	189	1,180
Total liabilities	60,183	8,092	6,975
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,510,200	427,900	1,684,100
Succeeding year tax increment financing	-	-	-
Other	2,568	91	259
Total deferred inflows of resources	3,512,768	427,991	1,684,359
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	127,223	-	149,008
Restricted for:			
Supplemental levy purposes	438,682	-	-
Mental health purposes	-	369,130	-
Rural services purposes	-	-	363,320
Secondary roads purposes	-	-	-
Landfill closure and postclosure care	-	-	-
Landfill/transfer station	-	-	224,483
Conservation land acquisition/capital improvements	139,839	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	1,459,063	-	-
Total fund balances	2,164,807	369,130	736,811
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,737,758</b>	<b>805,213</b>	<b>2,428,145</b>

See notes to financial statements.



Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
2,068,554	844,964	3,686	200,300	6,027,787
-	-	-	-	989
-	-	-	-	5,622,200
-	-	-	82,500	82,500
-	-	-	-	750
-	-	12,970,000	-	12,970,000
60	-	-	-	5,064
-	1,438	-	82	6,054
764,274	-	-	-	915,399
747,553	-	-	-	747,553
-	-	-	-	276,231
<u>3,580,441</u>	<u>846,402</u>	<u>12,973,686</u>	<u>282,882</u>	<u>26,654,527</u>
122,916	1,111	-	10,000	177,769
46,460	342	-	-	55,384
7,044	120	-	-	30,090
<u>176,420</u>	<u>1,573</u>	<u>-</u>	<u>10,000</u>	<u>263,243</u>
-	-	-	-	5,622,200
-	-	-	82,500	82,500
451,299	-	-	-	454,217
<u>451,299</u>	<u>-</u>	<u>-</u>	<u>82,500</u>	<u>6,158,917</u>
747,553	-	-	-	747,553
-	-	-	-	276,231
-	-	-	-	438,682
-	-	-	-	369,130
-	-	-	-	363,320
2,205,169	-	-	-	2,205,169
-	844,829	-	-	844,829
-	-	-	-	224,483
-	-	-	-	139,839
-	-	12,973,686	-	12,973,686
-	-	-	190,382	190,382
-	-	-	-	1,459,063
<u>2,952,722</u>	<u>844,829</u>	<u>12,973,686</u>	<u>190,382</u>	<u>20,232,367</u>
<u>3,580,441</u>	<u>846,402</u>	<u>12,973,686</u>	<u>282,882</u>	<u>26,654,527</u>

**Grundy County**

Grundy County

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

June 30, 2015

<b>Total governmental fund balances (page 23)</b>		\$ 20,232,367
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
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 \$32,086,471 and the accumulated depreciation/amortiation is \$12,385,275.		19,701,196
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.		454,217
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		498,593
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	\$ 450,419	
Deferred inflows of resources	<u>(990,276)</u>	(539,857)
Long-term liabilities, including general obligation urban renewal capital loan notes payable, landfill closure and postclosure care 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.		<u>(15,683,343)</u>
<b>Net position of governmental activities (page 20)</b>		<u>\$ 24,663,173</u>

See notes to financial statements.

Grundy County

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

Year ended June 30, 2015

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,517,873	499,276	1,582,876
Local option sales tax	-	-	450,511
Interest and penalty on property tax	34,638	-	-
Intergovernmental	689,785	325,954	90,089
Licenses and permits	7,950	-	1,250
Charges for service	345,596	-	19,367
Use of money and property	39,826	-	-
Miscellaneous	33,019	32	4,313
<b>Total revenues</b>	<b>4,668,687</b>	<b>825,262</b>	<b>2,148,406</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,600,484	-	200,396
Physical health and social services	478,182	-	-
Mental health	-	773,570	-
County environment and education	483,523	-	282,037
Roads and transportation	-	-	-
Governmental services to residents	367,895	-	3,400
Administration	1,464,622	-	167,309
Debt service	-	-	-
Capital projects	-	-	-
<b>Total expenditures</b>	<b>4,394,706</b>	<b>773,570</b>	<b>653,142</b>
Excess (deficiency) of revenues over (under) expenditures	273,981	51,692	1,495,264
<b>Other financing sources (uses):</b>			
Sale of capital assets	-	-	-
Transfers in	21,290	-	-
Transfers out	-	-	(1,529,999)
<b>Total other financing sources (uses)</b>	<b>21,290</b>	<b>-</b>	<b>(1,529,999)</b>
Change in fund balances	295,271	51,692	(34,735)
Fund balances beginning of year	1,869,536	317,438	771,546
Fund balances end of year	\$ 2,164,807	369,130	736,811

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
-	-	-	93,002	5,693,027
-	-	-	-	450,511
-	-	-	-	34,638
3,284,143	-	606,668	16,452	5,013,091
9,883	-	-	-	19,083
-	-	-	2,794	367,757
600	6,297	-	201	46,924
90,675	-	-	-	128,039
3,385,301	6,297	606,668	112,449	11,753,070
-	-	-	-	1,800,880
-	-	-	-	478,182
-	-	-	-	773,570
-	49,708	-	86,478	901,746
4,354,335	-	-	-	4,354,335
-	-	-	13,953	385,248
-	-	-	-	1,631,931
-	-	1,256,668	-	1,256,668
119,332	-	-	2,850	122,182
4,473,667	49,708	1,256,668	103,281	11,704,742
(1,088,366)	(43,411)	(650,000)	9,168	48,328
-	200	-	-	200
1,529,999	-	-	-	1,551,289
-	-	-	(21,290)	(1,551,289)
1,529,999	200	-	(21,290)	200
441,633	(43,211)	(650,000)	(12,122)	48,528
2,511,089	888,040	13,623,686	202,504	20,183,839
2,952,722	844,829	12,973,686	190,382	20,232,367

Grundy 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 27)** \$ 48,528

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

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

Expenditures for capital assets	\$ 489,857	
Capital assets contributed by the Iowa Department of Transportation	127,778	
Depreciation/amortization expense	<u>(1,368,897)</u>	(751,262)

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. 35,452

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	(783)	
Other	<u>386,546</u>	385,763

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. 650,000

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. 343,201

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:

Adjustment to estimated costs for landfill closure and postclosure care	18,700	
Compensated absences	(22,501)	
Other postemployment benefits	(12,025)	
Pension expense	(123,632)	
Interest on long-term debt	<u>2,302</u>	(137,156)

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 16,652

**Change in net position of governmental activities (page 21)** \$ 591,178

See notes to financial statements.

Grundy County  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

	<u>Internal Service - Employee Group Health</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 498,593
<b>Current Liabilities</b>	
None	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 498,593</u>

See notes to financial statements.

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

Year ended June 30, 2015

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 955,143
Reimbursements from employees		155,531
Reimbursements from others		19,233
Total operating revenues		<u>1,129,907</u>
Operating expenses:		
Partially self funded medical claims	\$ 154,379	
Medical claims	64,698	
Life insurance premiums	8,824	
Insurance premiums	835,993	
Affordable Care Act (ACA) fees	38,388	
Administrative fees	<u>12,323</u>	<u>1,114,605</u>
Operating income		15,302
Non-operating revenues:		
Interest income		<u>1,350</u>
Net income		16,652
Net position beginning of year		481,941
Net position end of year		<u><u>\$ 498,593</u></u>

See notes to financial statements.



Grundy County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2015

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 955,143
Cash received from employees and others	174,764
Cash paid to suppliers for services	(1,114,605)
Net cash provided by operating activities	15,302
Cash flows from investing activities:	
Interest on investments	1,350
Net increase in cash and cash equivalents	16,652
Cash and cash equivalents beginning of year	481,941
Cash and cash equivalents end of year	\$ 498,593
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 15,302
Adjustment to reconcile operating income to net cash provided by operating activities:	
None	-
Net cash provided by operating activities	\$ 15,302

See notes to financial statements.

Grundy County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 895,316
Other County officials	53,008
Receivables:	
Property tax:	
Delinquent	2,517
Succeeding year	14,502,500
Accounts	8,266
Accrued interest	44
Special assessments	9,819
Due from other governments	29,313
<b>Total assets</b>	<u>15,500,783</u>

**Liabilities**

Accounts payable	16,520
Due to other governments	15,426,748
Trusts payable	35,480
Compensated absences	22,035
<b>Total liabilities</b>	<u>15,500,783</u>

**Net position**

\$ -

See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

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

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

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

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

The Grundy County Heritage Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. The primary function of the Foundation shall be to solicit and receive contributions, gifts, grants, devises and bequests of personal property and/or real property from individuals, corporations, partnerships, trusts, foundations, governmental bodies and agencies and any other parties and to distribute and apply such assets and/or the income therefrom from time to time to or for the benefit of the Grundy County Conservation Board and any affiliated organizations of the Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Grundy County Heritage Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

The County began participating in County Social Services (CSS), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa, in February 2012. CSS is a consortium established for the purpose of administering mental health and disability services for its member counties. Pursuant to the consortium agreement, Butler County is the operating agency. Each member county is represented on the consortium Board which is responsible for administering the consortium.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Landfill Closure Costs Fund is used to accumulate monies for closure and postclosure care for the County Landfill.

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.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

Special Assessments Receivable – Drainage 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 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 and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	5,000
Equipment and vehicles	5,000



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

Asset Class	Estimated Useful lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 65
Intangibles	3 - 10
Equipment	3 - 20
Vehicles	5 - 15

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

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, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated 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 represents the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Olderog TIF	\$ 21,290
Special Revenue:		
Secondary Roads	Rural Services	<u>1,529,999</u>
		<u>\$ 1,551,289</u>

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,309,331	52,000	-	1,361,331
Construction in progress, road network	126,841	-	-	126,841
Total capital assets not being depreciated /amortized	<u>1,436,172</u>	<u>52,000</u>	<u>-</u>	<u>1,488,172</u>
Capital assets being depreciated/amortized:				
Buildings	4,268,988	-	-	4,268,988
Improvements other than buildings	485,393	5,075	-	490,468
Equipment and vehicles	7,335,541	503,069	(258,601)	7,580,009
Intangibles	-	99,591	-	99,591
Infrastructure, road network	18,159,243	-	-	18,159,243
Total capital assets being depreciated/amortized	<u>30,249,165</u>	<u>607,735</u>	<u>(258,601)</u>	<u>30,598,299</u>
Less accumulated depreciation/amortization for:				
Buildings	1,451,430	87,931	-	1,539,361
Improvements other than buildings	29,124	10,215	-	39,339
Equipment and vehicles	5,382,503	410,117	(251,953)	5,540,667
Intangibles	-	16,969	-	16,969
Infrastructure, road network	4,405,274	843,665	-	5,248,939
Total accumulated depreciation/amortization:	<u>11,268,331</u>	<u>1,368,897</u>	<u>(251,953)</u>	<u>12,385,275</u>
Total capital assets being depreciated/amortized, net	<u>18,980,834</u>	<u>(761,162)</u>	<u>(6,648)</u>	<u>18,213,024</u>
Governmental activities capital assets, net	<u>\$ 20,417,006</u>	<u>(709,162)</u>	<u>(6,648)</u>	<u>19,701,196</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 62,877
County environment and education	53,187
Roads and transportation	1,190,794
Governmental services to residents	4,000
Administration	58,039
Total depreciation/amortization expense - governmental activities	<u>\$ 1,368,897</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 21,557
Special Revenue:		
Mental Health	Services	189
Rural Services	Services	1,180
Secondary Roads	Services	7,044
Landfill Closure Costs	Services	120
		<u>8,533</u>
Total for governmental funds		<u>\$ 30,090</u>
Agency:		
Agriculture Extension Education	Collections	\$ 173,498
County Assessor		328,235
Schools		9,185,897
Community Colleges		919,154
Corporations		3,875,602
Townships		238,435
Auto License and Use Tax		330,851
All other		375,076
Total for agency funds		<u>\$ 15,426,748</u>

**(6) Long-Term Liabilities**

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

	General Obligation Urban Renewal Capital Loan Notes	Estimated Liability for Landfill Closure and Postclosure Care	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 13,620,000	695,500	332,926	2,672,586	45,007	17,366,019
Increases	-	-	335,362	-	12,025	347,387
Decreases	650,000	18,700	312,861	1,096,714	-	2,078,275
Balance end of year	<u>\$ 12,970,000</u>	<u>676,800</u>	<u>355,427</u>	<u>1,575,872</u>	<u>57,032</u>	<u>15,635,131</u>
Due within one year	\$ 675,000	-	194,900	-	-	869,900

General Obligation Urban Renewal Capital Loan Notes

On July 15, 2009, the County issued \$16,020,000 of general obligation urban renewal capital loan notes for an expansion project at the Grundy County Memorial Hospital and to refund the Hospital's outstanding principal balance of \$4,025,000 of hospital revenue bonds issued in 2004. The notes bear interest, payable semiannually on the first of June and December of each year, at rates ranging from 4.25% to 4.75% per annum.

The County loaned the general obligation urban renewal capital loan note proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal capital loan notes. The principal and interest payments from the Grundy County Memorial Hospital are credited to the Debt Service Fund.

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.25%	\$ 675,000	578,543	1,253,543
2017	4.25	700,000	549,855	1,249,855
2018	4.25	730,000	520,105	1,250,105
2019	4.25	765,000	489,080	1,254,080
2020	4.25	800,000	456,568	1,256,568
2021-2025	4.25-4.55	4,630,000	1,732,318	6,362,318
2026-2030	4.55-4.75	4,670,000	563,851	5,233,851
Total		\$ 12,970,000	4,890,320	17,860,320

During the year ended June 30, 2015, the County retired \$650,000 of general obligation urban renewal capital loan notes.

**(7) Loan Receivable**

As detailed in Note 6, the County loaned note proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal capital loan notes.

**(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](http://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.)

The Sheriff, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. The Sheriff, 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 and 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%. 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 covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$343,201.

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 \$1,575,872 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 0.039736%, which was a decrease of 0.006812% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$123,632. 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	\$ 18,018	31,859
Changes of assumptions	73,165	32,582
Net difference between projected and actual earnings on pension plan investments	-	924,144
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	16,035	1,691
County contributions subsequent to the measurement date	343,201	-
Total	<u>\$ 450,419</u>	<u>990,276</u>

\$343,201 reported as deferred outflows of resources related to pensions resulting from 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	\$ (221,436)
2017	(221,436)
2018	(221,436)
2019	(221,436)
2020	2,686
Total	<u>\$ (883,058)</u>

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 pension plan 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	<u>100%</u>	

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 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):	\$ 3,678,650	\$1,575,872	\$ (196,729)

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](http://www.ipers.org).

Payables to IPERS - At June 30, 2015, the County reported payables to IPERS of \$32,900 for legally required County contributions and \$24,367 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(9) 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 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 \$210,875.

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 \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the deductible of \$4,000/\$8,000 per single/family plan with a maximum out of pocket expense of \$8,000/\$16,000 per single/family plan. The deductible and maximum out of pocket expense for the County is reduced by the deductible amount paid by the employee of \$750/\$1,500 per single/family plan and employee maximum out of pocket expense of \$1,500/\$3,000 per single/family plan. Claims in excess of deductibles are covered by the partial self-fund.

Administrative service fees and plan contributions are paid monthly from the County's operating funds to a separate account administered by Employee Benefit Systems. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution for the year ended June 30, 2015 was \$955,143.

**(11) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the County Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to

operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the County Landfill have been estimated at \$676,800 as of June 30, 2015 and the portion of the liability that has been recognized is \$676,800. This liability represents the cumulative amount reported to date based on the use of approximately 100% of the capacity of the landfill. By October 1, 2007, Iowa solid waste landfills must have met the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. The County implemented closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and opened a transfer station instead of constructing new cells. The Landfill plans to maintain its recycling program and will use existing resources to finance these activities. A provision for the above liability has been made in the County's Statement of Net Position as of June 30, 2015. The County has accumulated resources to fund these costs and, at June 30, 2015, deposits of \$844,829 are held for these purposes. These resources are reported in the Special Revenue, Landfill Closure Costs Fund.

## **(12) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 64 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 12,924
Interest on net OPEB obligation	2,317
Adjustment to annual required contribution	(1,570)
Annual OPEB cost	<u>13,671</u>
Contributions made	(1,646)
Increase in net OPEB obligation	<u>12,025</u>
Net OPEB obligation beginning of year	<u>45,007</u>
Net OPEB obligation end of year	<u><u>\$ 57,032</u></u>

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

For the year ended June 30, 2015, the County contributed \$1,646 to the medical plan. Plan members eligible for benefits did not contribute.

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	\$ 9,505	0%	\$ 35,075
2014	9,932	0	45,007
2015	13,671	12	57,032

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$67,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$67,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,759,000 and the ratio of the UAAL to covered payroll was 1.78%. 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, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$13,748 annually for retirees less than age 65 and \$20,365 annually for retirees and spouses less than age 65. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. 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.

### **(13) Developer Agreements**

The County entered into six developer agreements to assist in urban renewal projects, as follows:

The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Bacon Veneer Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between June 1, 2004 and June 1, 2018, but shall not exceed the developer's actual infrastructure costs as certified to the County or \$1,000,000, whichever is less. During the year ended June 30, 2015, \$8,200 was rebated to the developer, R. S. Bacon Veneer Company.

The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the costs of certain improvements for the "Welcome Center" in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2007 and June 30, 2017 (semiannual payments for ten years), but shall not exceed the developer's actual infrastructure costs as certified to the County or \$316,026, whichever is less. During the year ended June 30, 2015, \$32,416 was rebated to the developer, Grundy County Heritage Center, Grundy County Rural Electric Cooperative and Corn Belt & Industrial Park.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Titan Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between January 1, 2009 and December 31, 2028 (up to forty semi-annual payments for twenty years) until \$225,000 is rebated or the agreement is terminated, whichever occurs first. During the year ended June 30, 2015, \$32,187 was rebated to the developer, Dealer Site LLC.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the OXBO Urban Renewal District within 2 miles of the City of Grundy Center. The

incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2010 and June 30, 2020 (annual payments for ten years) or until termination of the agreement, whichever occurs first. During the year ended June 30, 2015, \$4,458 was rebated to the developer, OXBO International Corporation/Byron Midwest Corporation.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between December 1, 2011 and June 1, 2021 (semi-annual payments for ten years) or until termination of the agreement, whichever occurs first. During the year ended June 30, 2015, \$8,084 was rebated to the developer, Cardinal Construction, Inc.

During the year ended June 30, 2014 a developer agreement with Olderog Wholesale Tires, Inc. was terminated. The County decertified the rebate agreement and certified additional debt for costs involved within the area of \$35,573. During the year ended June 30, 2015, \$21,290 collected in the Special Revenue, Olderog TIF Fund was transferred to the General Fund for recoupment of these costs.

**(14) Grundy County Financial Information Included in County Social Services**

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapter 28E and Chapter 331.390 of the Code of Iowa, which became effective April 1, 2013, included the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago Winneshiek, Worth and Wright counties. The agreement was amended April 1, 2014 to also include Emmet County. The financial activity of Grundy County's Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		\$ 499,276
Intergovernmental:		
State tax credits	\$ 31,578	
Payments from mental health region - CSS	108,571	
Medicaid	182,220	
Other	3,585	325,954
Miscellaneous		32
Total revenues		<u>825,262</u>
Expenditures:		
General administration:		
Direct administration	105,906	
Distribution to regional fiscal agent	525,000	630,906
County provided case management		142,664
Total expenditures		<u>773,570</u>
Excess of revenues over expenditures		51,692
Fund balance beginning of year		<u>317,438</u>
Fund balance end of year		<u>\$ 369,130</u>

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The 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 Statement 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	\$ 26,407,293
Net pension liability at June 30, 2014	(2,672,586)
Deferred outflows of resources	
related to prior year contributions made after	
the June 30, 2013 measurement date	<u>337,288</u>
Net position July 1, 2014, as restated	<u>\$ 24,071,995</u>

**(16) Subsequent Event**

In October 2015, the County issued \$14,640,000 of general obligation urban renewal refunding bonds, Series 2015, to advance refund the general obligation urban renewal capital loan notes, Series 2009. The Grundy County Memorial Hospital will continue to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal refunding bonds.



**Required Supplementary Information**

Grundy 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	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 6,145,817	-	6,145,817
Interest and penalty on property tax	36,382	-	36,382
Intergovernmental	5,735,470	-	5,735,470
Licenses and permits	19,953	-	19,953
Charges for service	365,366	-	365,366
Use of money and property	45,710	119	45,591
Miscellaneous	153,033	-	153,033
Total receipts	<u>12,501,731</u>	<u>119</u>	<u>12,501,612</u>
<b>Disbursements:</b>			
Public safety and legal services	1,816,311	-	1,816,311
Physical health and social services	481,444	-	481,444
Mental health	767,437	-	767,437
County environment and education	934,720	848	933,872
Roads and transportation	4,584,549	-	4,584,549
Governmental services to residents	374,913	-	374,913
Administration	1,612,644	-	1,612,644
Debt service	1,256,668	-	1,256,668
Capital projects	204,741	-	204,741
Total disbursements	<u>12,033,427</u>	<u>848</u>	<u>12,032,579</u>
Excess (deficiency) of receipts over (under) disbursements	468,304	(729)	469,033
Other financing sources, net	200	-	200
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	468,504	(729)	469,233
Balance beginning of year	5,559,283	47,759	5,511,524
Balance end of year	<u>\$ 6,027,787</u>	<u>47,030</u>	<u>5,980,757</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,185,528	6,195,826	(50,009)
-	-	36,382
6,415,226	6,065,133	(329,663)
8,650	8,650	11,303
388,123	411,839	(46,473)
54,650	54,650	(9,059)
147,195	158,187	(5,154)
13,199,372	12,894,285	(392,673)
1,931,795	1,937,095	120,784
565,368	564,118	82,674
792,889	792,889	25,452
933,834	977,482	43,610
4,652,299	4,702,299	117,750
424,985	425,085	50,172
1,803,896	1,874,673	262,029
1,272,268	1,256,668	-
2,084,705	1,111,908	907,167
14,462,039	13,642,217	1,609,638
(1,262,667)	(747,932)	1,216,965
-	(2,648)	2,848
(1,262,667)	(750,580)	1,219,813
4,823,140	4,823,140	688,384
3,560,473	4,072,560	1,908,197

**Grundy County**

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Grundy 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	\$ 12,501,731	(748,661)	11,753,070
Expenditures	12,033,427	(328,685)	11,704,742
Net	468,304	(419,976)	48,328
Other financing sources, net	200	-	200
Beginning fund balances	5,559,283	14,624,556	20,183,839
Ending fund balances	\$ 6,027,787	14,204,580	20,232,367

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$819,822. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted by function.

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Grundy 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)	0.039736%
County's collective proportionate share of the net pension liability (asset)	\$ 1,576
County's covered-employee payroll	\$ 3,670
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	42.94%
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.

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Grundy County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 343	337	318	290
Contributions in relation to the statutorily required contribution	<u>(343)</u>	<u>(337)</u>	<u>(318)</u>	<u>(290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,731	3,670	3,532	3,400
Contributions as a percentage of covered-employee payroll	9.19%	9.18%	9.00%	8.53%

See accompanying independent auditor's report.



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2011	2010	2009	2008	2007	2006
249	236	220	204	194	185
(249)	(236)	(220)	(204)	(194)	(185)
-	-	-	-	-	-
3,311	3,377	3,275	3,189	3,087	2,968
7.52%	6.99%	6.72%	6.40%	6.28%	6.23%

## Grundy 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.

Grundy 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)
2010	Jul 1, 2009	-	\$ 72	72	0.0%	\$ 3,057	2.30%
2011	Jul 1, 2009	-	72	72	0.0	3,359	2.14
2012	Jul 1, 2009	-	72	72	0.0	3,440	2.09
2013	Jul 1, 2012	-	67	67	0.0	3,556	1.88
2014	Jul 1, 2012	-	67	67	0.0	3,711	1.81
2015	Jul 1, 2012	-	67	67	0.0	3,759	1.78

See Note 12 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**

Grundy County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Special					
	County					
	Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts
<b>Assets</b>						
Cash, cash equivalents and pooled investments	\$ 23,045	115,567	2,440	1,223	265	21,255
Receivables:						
Succeeding year tax increment financing	-	-	-	-	-	-
Accrued interest	15	67	-	-	-	-
<b>Total assets</b>	<b>\$ 23,060</b>	<b>115,634</b>	<b>2,440</b>	<b>1,223</b>	<b>265</b>	<b>21,255</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 10,000	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year tax increment financing	-	-	-	-	-	-
Fund balances:						
Restricted for other purposes	13,060	115,634	2,440	1,223	265	21,255
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 23,060</b>	<b>115,634</b>	<b>2,440</b>	<b>1,223</b>	<b>265</b>	<b>21,255</b>

See accompanying independent auditor's report.

Revenue										
Grundy County Industrial Park	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	OXBO TIF	Cardinal Construction TIF	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
-	-	-	-	-	-	-	730	10,000	25,775	200,300
300	8,300	27,000	6,100	29,700	4,500	6,600	-	-	-	82,500
-	-	-	-	-	-	-	-	-	-	82
300	8,300	27,000	6,100	29,700	4,500	6,600	730	10,000	25,775	282,882
-	-	-	-	-	-	-	-	-	-	10,000
300	8,300	27,000	6,100	29,700	4,500	6,600	-	-	-	82,500
-	-	-	-	-	-	-	730	10,000	25,775	190,382
300	8,300	27,000	6,100	29,700	4,500	6,600	730	10,000	25,775	282,882

Grundy County

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

Year ended June 30, 2015

	Special					
	County					
	Recorder's	Resource	State	Federal	Sheriff's	Drainage
	Records	Enhancement	Drug	Drug	Grant	Districts
	Management	and Protection	Forfeiture	Forfeiture		
Revenues:						
Property and other county tax	\$ -	-	-	-	-	-
Intergovernmental	-	13,526	-	-	-	-
Charges for service	2,794	-	-	-	-	-
Use of money and property	15	67	-	-	-	-
Total revenues	2,809	13,593	-	-	-	-
Expenditures:						
Operating:						
County environment and education	-	-	-	-	-	-
Governmental services to residents	13,953	-	-	-	-	-
Capital projects	-	2,850	-	-	-	-
Total expenditures	13,953	2,850	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(11,144)	10,743	-	-	-	-
Other financing uses:						
Transfers out	-	-	-	-	-	-
Change in fund balances	(11,144)	10,743	-	-	-	-
Fund balances beginning of year	24,204	104,891	2,440	1,223	265	21,255
Fund balances end of year	\$ 13,060	115,634	2,440	1,223	265	21,255

See accompanying independent auditor's report.



Revenue										
Grundy County Industrial Park	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	OXBO TIF	Cardinal Construction TIF	Conven- ience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
268	8,094	30,483	10,298	31,753	4,458	7,648	-	-	-	93,002
17	106	1,933	-	434	-	436	-	-	-	16,452
-	-	-	-	-	-	-	-	-	-	2,794
-	-	-	-	-	-	-	-	-	119	201
285	8,200	32,416	10,298	32,187	4,458	8,084	-	-	119	112,449
285	8,200	32,416	-	32,187	4,458	8,084	-	-	848	86,478
-	-	-	-	-	-	-	-	-	-	13,953
-	-	-	-	-	-	-	-	-	-	2,850
285	8,200	32,416	-	32,187	4,458	8,084	-	-	848	103,281
-	-	-	10,298	-	-	-	-	-	(729)	9,168
-	-	-	(21,290)	-	-	-	-	-	-	(21,290)
-	-	-	-	-	-	-	-	-	(729)	(12,122)
-	-	-	10,992	-	-	-	730	10,000	26,504	202,504
-	-	-	-	-	-	-	730	10,000	25,775	190,382

Grundy County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,968	123,927	107,243	10,404
Other County officials	53,008	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	30	63	1,654	150
Succeeding year	-	171,500	233,600	9,077,000	908,600
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 53,008</b>	<b>173,498</b>	<b>357,590</b>	<b>9,185,897</b>	<b>919,154</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	7,320	-	-
Due to other governments	17,528	173,498	328,235	9,185,897	919,154
Trusts payable	35,480	-	-	-	-
Compensated absences	-	-	22,035	-	-
<b>Total liabilities</b>	<b>\$ 53,008</b>	<b>173,498</b>	<b>357,590</b>	<b>9,185,897</b>	<b>919,154</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
32,913	3,132	330,851	13,831	271,047	895,316
-	-	-	-	-	53,008
589	3	-	-	28	2,517
3,842,100	235,300	-	-	34,400	14,502,500
-	-	-	-	8,266	8,266
-	-	-	-	44	44
-	-	-	-	9,819	9,819
-	-	-	8,346	20,967	29,313
<b>3,875,602</b>	<b>238,435</b>	<b>330,851</b>	<b>22,177</b>	<b>344,571</b>	<b>15,500,783</b>
-	-	-	-	9,200	16,520
3,875,602	238,435	330,851	22,177	335,371	15,426,748
-	-	-	-	-	35,480
-	-	-	-	-	22,035
<b>3,875,602</b>	<b>238,435</b>	<b>330,851</b>	<b>22,177</b>	<b>344,571</b>	<b>15,500,783</b>

Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2015

	Agricultural		County Assessor	County Schools	Community Colleges
	County Offices	Extension Education			
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 37,064	166,508	506,375	9,012,095	901,182
Additions:					
Property and other county tax	-	171,862	234,473	9,094,890	911,913
E911 surcharges	-	-	-	-	-
State tax credits	-	11,606	24,406	630,912	60,193
Office fees and collections	326,661	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	93,455	-	-	-	-
Miscellaneous	-	-	74	-	-
Total additions	420,116	183,468	258,953	9,725,802	972,106
Deductions:					
Agency remittances:					
To other funds	130,404	-	-	-	-
To other governments	185,626	176,478	407,738	9,552,000	954,134
Trusts paid out	88,142	-	-	-	-
Total deductions	404,172	176,478	407,738	9,552,000	954,134
Balances end of year	\$ 53,008	173,498	357,590	9,185,897	919,154

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
3,944,395	243,913	456,181	22,177	306,494	15,596,384
3,824,446	235,920	-	-	34,448	14,507,952
-	-	-	-	132,686	132,686
354,842	13,658	-	-	2,116	1,097,733
-	-	-	-	-	326,661
-	-	4,737,820	-	-	4,737,820
-	-	-	-	15,017	15,017
-	-	-	-	-	93,455
-	-	-	67,599	39,410	107,083
4,179,288	249,578	4,737,820	67,599	223,677	21,018,407
-	-	140,230	-	-	270,634
4,248,081	255,056	4,722,920	67,599	185,600	20,755,232
-	-	-	-	-	88,142
4,248,081	255,056	4,863,150	67,599	185,600	21,114,008
3,875,602	238,435	330,851	22,177	344,571	15,500,783

Grundy County

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

For the Last Ten Years

	2015	2014	2013	2012
<b>Revenues:</b>				
Property and other county tax	\$ 5,693,027	5,348,541	5,168,483	5,006,401
Local option sales tax	450,511	380,911	385,885	468,137
Interest and penalty on property tax	34,638	36,201	36,486	33,978
Intergovernmental	5,013,091	5,204,910	4,851,117	5,579,690
Licenses and permits	19,083	51,685	12,290	15,340
Charges for service	367,757	385,708	386,215	355,300
Use of money and property	46,924	43,910	50,886	71,975
Miscellaneous	128,039	137,173	257,232	273,170
<b>Total</b>	<b>\$ 11,753,070</b>	<b>11,589,039</b>	<b>11,148,594</b>	<b>11,803,991</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,800,880	1,802,508	1,823,311	1,659,250
Physical health and social services	478,182	585,048	565,114	541,127
Mental health	773,570	737,047	805,253	1,030,743
County environment and education	901,746	937,140	784,747	844,536
Roads and transportation	4,354,335	4,510,897	4,230,656	4,174,887
Governmental services to residents	385,248	367,614	359,579	360,231
Administration	1,631,931	1,538,772	1,485,721	1,676,696
Nonprogram	-	-	-	-
Debt service	1,256,668	1,451,397	1,285,455	1,274,230
Capital projects	122,182	225,912	326,314	1,407,034
<b>Total</b>	<b>\$ 11,704,742</b>	<b>12,156,335</b>	<b>11,666,150</b>	<b>12,968,734</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
4,820,922	4,744,720	4,527,545	4,392,566	4,370,337	4,196,442
398,479	423,331	406,653	383,424	415,586	338,860
34,100	33,687	28,501	33,931	39,124	30,889
5,219,156	5,111,675	4,378,944	4,413,276	4,438,662	5,078,363
10,655	13,095	13,460	7,460	11,705	6,685
343,261	355,019	296,114	408,315	592,272	551,572
97,289	120,179	162,741	306,813	342,613	290,924
371,245	735,346	148,347	376,504	246,785	148,427
11,295,107	11,537,052	9,962,305	10,322,289	10,457,084	10,642,162
1,588,665	1,548,778	1,476,327	1,528,670	1,470,990	1,309,667
504,726	412,399	421,682	440,207	447,720	434,940
1,037,365	1,039,977	1,094,457	1,158,773	1,214,556	1,237,419
816,407	802,089	886,733	1,006,215	955,184	938,294
4,012,543	4,259,408	4,051,213	4,546,283	3,379,405	3,804,400
339,285	345,716	330,577	370,588	333,656	349,062
1,425,191	1,227,867	1,292,981	1,545,307	1,248,445	1,150,151
-	-	1,464	-	-	-
1,300,618	719,826	100,288	102,227	104,127	156,598
551,140	797,378	201,526	800,942	671,079	1,184,598
11,575,940	11,153,438	9,857,248	11,499,212	9,825,162	10,565,129

**Grundy County**



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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
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		\$ 3,792
U.S. Department of Transportation:			
National Highway Traffic Safety Administration:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety Grant	20.600	PAP 15-402-MOOP	4,200
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT115	1,349
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT12	19,664
			<u>21,013</u>
Immunization Cooperative Agreements	93.268	58851432	<u>2,967</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance-State Administered Programs	93.566		8
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		980
Foster Care - Title IV-E	93.658		1,453
Adoption Assistance	93.659		459
Social Services Block Grant	93.667		1,167
State Children's Insurance Program	93.767		23
Medical Assistance Program	93.778		7,144
U. S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4187IA	418,435
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4135IA	77,436
			<u>495,871</u>
<b>Total</b>			<u>\$ 539,077</u>

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

**Grundy County**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on 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 Grundy 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 Grundy 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 February 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grundy 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 Grundy County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-15 we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy 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 an immaterial instance of non-compliance or other matters which is described in 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.

### Grundy County's Responses to the Findings

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

February 8, 2016

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

**Grundy 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 Grundy County:

Report on Compliance for Each Major Federal Program

We have audited Grundy County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Grundy County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The management of Grundy 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 Grundy County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grundy 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. Given those limitations, during our audit we did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist which 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

February 8, 2016



Grundy 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) A material weakness in internal control over financial reporting was 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 program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 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) Grundy County did not qualify as a low-risk auditee.

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	County Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	County Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Recorder – As an office of two full time employees and one part time employee, it is impossible for us to completely segregate all financial duties. We do, however, do our best to separate duties as much as possible. For example, generally the mail is opened by one employee and receipted by another employee. We will continue to review our procedures to assure we are obtaining the maximum internal control possible with our limited staff resources.

County Sheriff – We will have the Chief Deputy review Secretary’s work in the future.

Conclusions – Responses accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Grundy 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 program were noted.

Grundy 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 for any function.
- 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 – No business transactions between the County and County officials or employees were noted.
- IV-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure 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).
- IV-I-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.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

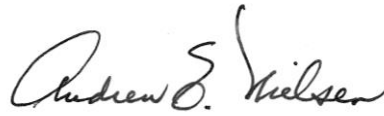
- IV-J-15 Council Meeting Minutes – Two of nine Extension Council meeting minutes were not signed as required. The Extension Council subsequently corrected this error.
- Recommendation – The Extension Council should review procedures to ensure meeting minutes are signed in a timely manner.
- Response – In the future, County Extension personnel will review the minutes book monthly for any discrepancies.
- Conclusion – Response accepted.
- IV-K-15 Financial Assurance – The County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided by Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$676,800. The balance reserved for landfill closure and postclosure care at June 30, 2015 is \$844,829. Therefore, the closure and postclosure care costs are fully funded at June 30, 2015.
- IV-L-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.

Grundy County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Kelly L. Hilton, CPA, Senior Auditor  
Janelle R. Wieland, Staff Auditor  
Nate W. Packer, CPA, Staff Auditor  
Eileen D. Loomis, Assistant Auditor  
Grant W. Pomerenk, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State