

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 30, 2016

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$9,815,488 for the year ended June 30, 2015, which included \$769,893 in tax credits from the state. The County forwarded \$6,987,002 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,828,486 of the local tax revenue to finance County operations, a 13.5% increase over the prior year. Other revenues included charges for service of \$1,473,597, operating grants, contributions and restricted interest of \$3,859,179, capital grants, contributions and restricted interest of \$941,468, local option sales tax of \$239,178, unrestricted investment earnings of \$6,389 and other general revenues of \$132,407.

Expenses for County operations for the year ended June 30, 2015 totaled \$8,333,909, a 2.2% increase over the prior year. Expenses included \$3,934,092 for roads and transportation, \$1,155,972 for public safety and legal services and \$1,105,628 for physical health and social services.

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/1510-0027-B00F.pdf>.

###

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

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-7
Management’s Discussion and Analysis	9-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 23
Statement of Revenues, Expenditures and Changes in Fund Balances	E 24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 26
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G 27
Notes to Financial Statements	28-47
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	50-51
Budget to GAAP Reconciliation	52
Notes to Required Supplementary Information – Budgetary Reporting	53
Schedule of the County’s Proportionate Share of the Net Pension Liability	55
Schedule of County Contributions	56-57
Notes to Required Supplementary Information – Pension Liability	58-59
Schedule of Funding Progress for the Retiree Health Plan	60
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 64-65
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 66-67
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 68-69
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 70-71
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	73-74
Schedule of Findings	75-82
Staff	83

Decatur County

Officials

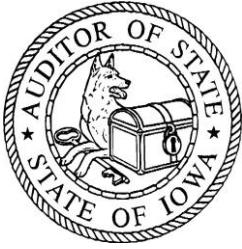
(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Boswell	Board of Supervisors	Jan 2015
J. R. Cornett	Board of Supervisors	Jan 2017
Jim Fulton	Board of Supervisors	Jan 2017
Stephanie Daughton	County Auditor	Jan 2017
Mary Andrew	County Treasurer	(Deceased Dec 2014)
Gale Norman	County Recorder	Jan 2015
Herbert Muir	County Sheriff	Jan 2017
Lisa Hynden Jeanes	County Attorney	Jan 2015
James Fleming	County Assessor	Jan 2016

(After January 2015)

J. R. Cornett	Board of Supervisors	Jan 2017
Jim Fulton	Board of Supervisors	Jan 2017
Gary Boswell	Board of Supervisors	Jan 2019
Stephanie Daughton	County Auditor	Jan 2017
Kathy Martin (Appointed Jan 2015)	County Treasurer	Mar 2015
Beth Andrew (Elected Mar 2015)	County Treasurer	Jan 2019
Gale Norman	County Recorder	Jan 2019
Herbert Muir	County Sheriff	(Resigned Mar 2016)
Lisa Hynden Jeanes	County Attorney	Jan 2019
James Fleming	County Assessor	(Retired Jun 2015)
Justin Cornett (Appointed Jul 2015)	County Assessor	Jan 2016

Decatur County



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Decatur 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 Decatur 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 Decatur County as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 13, Decatur 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 9 through 15 and 50 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 March 8, 2016 on our consideration of Decatur 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 Decatur County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 8, 2016

Decatur County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur 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 by \$2,100,001 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. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- The County's governmental activities revenues increased 10.7%, or approximately \$916,000, from fiscal year 2014 to fiscal year 2015. Program revenues increased approximately \$486,000 and property and other county tax increased approximately \$287,000.
- The County's governmental activities expenses increased 2.2%, or approximately \$181,000, from fiscal year 2014 to fiscal year 2015. Roads and transportation expenses increased 2.7%, or approximately \$103,000, and county environment and education expenses increased 26.2%, or approximately \$102,000. Physical health and social services expenses decreased 10.4%, or approximately \$128,000.
- The County's net position at June 30, 2015 increased approximately \$1,147,000 over the restated June 30, 2014 balance.

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 Decatur 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 Decatur 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 Decatur 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.

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 two kinds of funds:

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

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

2) 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 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. Prior to restatement, Decatur County's net position decreased from approximately \$19.3 million to approximately \$18.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014
	(Not Restated)	
Current and other assets	\$ 7,554	6,008
Capital assets	19,842	17,594
Total assets	27,396	23,602
Deferred outflows of resources	480	-
Long-term liabilities	5,280	1,055
Other liabilities	258	620
Total liabilities	5,538	1,675
Deferred inflows of resources	3,975	2,610
Net position:		
Net investment in capital assets	17,640	17,043
Restricted	2,218	1,946
Unrestricted	(1,495)	328
Total net position	\$ 18,363	19,317

The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net position invested in capital assets increased approximately \$597,000, primarily due to infrastructure contributed by the Iowa Department of Transportation.

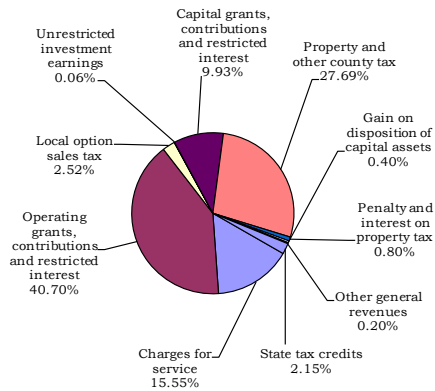
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased 14%, or approximately \$272,000, primarily due to increased net position restricted for secondary roads purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased from approximately \$328,000 at June 30, 2014 to a deficit of approximately \$1,495,000 at the end of this year, a decrease of 555.8%. The decrease is primarily due to recording the net pension liability as of July 1, 2014.

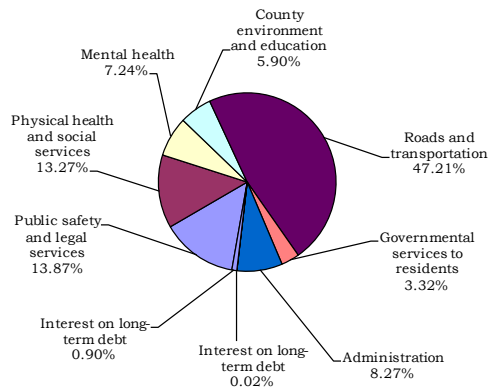
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,474	1,272
Operating grants, contributions and restricted interest	3,859	3,365
Capital grants, contributions and restricted interest	941	1,151
General revenues:		
Property and other county tax	2,625	2,338
Penalty and interest on property tax	76	60
State tax credits	204	154
Local option sales tax	239	207
Unrestricted investment earnings	6	3
Gain on disposition of capital assets	38	12
Other general revenues	19	3
Total revenues	9,481	8,565
Program expenses:		
Public safety and legal services	1,156	1,131
Physical health and social services	1,106	1,234
Mental health	603	591
County environment and education	492	390
Roads and transportation	3,934	3,831
Governmental services to residents	277	236
Administration	689	737
Non-program	2	-
Interest on long-term debt	75	3
Total expenses	8,334	8,153
Change in net position	1,147	412
Net position beginning of year, as restated	17,216	18,905
Net position end of year	\$ 18,363	19,317

Revenues by Source



Expenses by Function



Revenues for governmental activities totaled approximately \$9,481,000, an increase of 10.7% from the prior year. Property and other county tax revenues account for 27.7% of governmental activities revenues and increased approximately \$287,000 over the prior year. In fiscal year 2015, the urban tax rate was \$9.36808 per \$1,000 of taxable valuation compared to the fiscal year 2014 tax rate of \$8.12825 per \$1,000 of taxable valuation. The rural tax rate in fiscal year 2015 was \$12.75053 per \$1,000 of taxable valuation compared to the fiscal year 2014 tax rate of \$11.00121 per \$1,000 of taxable valuation.

Charges for service revenues increased approximately \$202,000 due to a payment received from the City of Leon for work done by the County on a joint infrastructure project. Operating grants, contributions and restricted interest increased approximately \$494,000 due to an increase of approximately \$167,000 in road use tax and an increase of approximately \$179,000 in FEMA reimbursements.

The cost of all governmental activities was approximately \$8.3 million for fiscal year 2015 compared to approximately \$8.2 million for fiscal year 2014. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was only approximately \$2,060,000 because some of the costs were paid by those directly benefited from the programs (approximately \$1,474,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,800,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$5,787,000 to approximately \$6,274,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$3,637,711, an increase of \$1,139,563 from last year's total of \$2,498,148. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$38,000, or 1.2%, over the prior year while expenditures increased approximately \$154,000, or 4.7%, over the prior year. The ending fund balance decreased approximately \$288,000 from the prior year to approximately \$501,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2015, expenditures totaled approximately \$247,000, an increase of approximately \$23,000, or 10.1%, from the prior year. Revenues decreased approximately \$9,000, or 2.2%. The Special Revenue, Mental Health Fund balance at year end increased approximately \$171,000 to approximately \$669,000.
- The Special Revenue, Rural Services Fund balance increased approximately \$100,000 from the prior year deficit of approximately \$19,000. This increase is primarily due to an increase in revenues of approximately \$97,000 and a decrease in public safety and legal services expenses of approximately \$150,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$235,000 over the prior year while revenues increased approximately \$648,000. The increase in revenues is primarily due to an increase in funding from the State of Iowa. The Secondary Roads Fund balance at year end increased approximately \$190,000, or 18.6%, to approximately \$1,211,000.
- The Capital Projects Fund was established to account for the activity of the Jail Authority, a blended component unit. For the year ended June 30, 2015, the fund had expenditures of approximately \$2,411,000 for engineering and construction costs related to the jail project. Expenditures were financed through the issuance of revenue bonds of \$3,300,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in December 2014 and resulted in an increase in budgeted disbursements of \$1,126,289. The primary reason for this amendment was to reflect the increased costs of mental health programs and road maintenance. The second amendment was made in May 2015 and resulted in an increase in budgeted disbursements of \$281,573. The primary reason for this amendment was to reflect changes in budget allocations related to re-estimates of receipts and disbursements.

The County's receipts were \$892,200 less than budgeted, a variance of approximately 9.6%. Total disbursements were \$1,061,767, or 10.8%, less than the final amended budget. The County exceeded the budgeted amount in the capital projects function prior to amendment of the budget. Mental health function disbursements were \$718,726 less than the final budget due to this being the first year of the mental health region.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Decatur County had approximately \$19.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$2,248,000, or 12.8%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 3,069	3,069
Construction in progress	2,187	581
Buildings and improvements	1,713	1,548
Equipment and vehicles	1,325	1,224
Intangibles	520	520
Infrastructure	11,028	10,652
Total	\$ 19,842	17,594

The County had depreciation expense of \$990,370 in fiscal year 2015 and total accumulated depreciation of \$8,535,654 at June 30, 2015. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2015, Decatur County had approximately \$3,264,000 of outstanding debt, which included approximately \$64,000 of bank loan debt, \$60,000 of general obligation note debt, \$3,115,000 of revenue bond debt and \$25,000 of capital lease debt compared to total outstanding debt of approximately \$657,000 at June 30, 2014.

Outstanding Debt of Governmental Activities at Year-End (Expresses in Thousands)		
	June 30,	
	2015	2014
Bank loan	\$ 64	67
General obligation note	60	-
Project note	-	590
Revenue bonds	3,115	-
Capital lease purchase agreement	25	-
Total	\$ 3,264	657

Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur 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 now stands at 3.8% versus 4.2% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Amounts available for appropriation in the fiscal year 2016 budget are approximately \$9,362,000, a decrease of 13.3% from the final fiscal year 2015 budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from \$1,577,840 to \$1,412,367 by the close of fiscal year 2016.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Decatur 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 Decatur County Auditor's Office, 207 N. Main Street, Leon, Iowa 50144.

Decatur County

Basic Financial Statements

Decatur County
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 2,852,332
Receivables:	
Property tax:	
Delinquent	64,329
Succeeding year	3,156,000
Interest and penalty on property tax	162,330
Accounts	36,221
Accrued interest	216
Due from other governments	785,906
Inventories	497,017
Capital assets, net of accumulated depreciation	19,841,948
Total assets	27,396,299
Deferred Outflows of Resources	
Pension related deferred outflows	480,401
Liabilities	
Accounts payable	145,780
Salaries and benefits payable	97,296
Due to other governments	14,536
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	2,276
General obligation notes	60,000
Jail Authority revenue bonds	155,000
Capital lease purchase agreement	25,000
Compensated absences	175,925
Portion due or payable after one year:	
Bank loan	62,019
Jail Authority revenue bonds	2,960,000
Compensated absences	92,970
Net pension liability	1,599,325
Net OPEB liability	148,000
Total liabilities	5,538,127
Deferred Inflows of Resources	
Unavailable property tax revenue	3,156,000
Pension related deferred inflows	819,232
Total deferred inflows of resources	3,975,232
Net Position	
Net investment in capital assets	17,640,047
Restricted for:	
Supplemental levy purposes	64,525
Mental health purposes	655,472
Rural services purposes	81,400
Secondary roads purposes	1,318,428
Debt service	7,986
Other purposes	89,982
Unrestricted	(1,494,499)
Total net position	\$ 18,363,341

See notes to financial statements.

Decatur 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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,155,972	133,648	79,428	-	(942,896)
Physical health and social services	1,105,628	335,166	652,859	-	(117,603)
Mental health	602,696	390,044	88,865	-	(123,787)
County environment and education	491,920	67,463	49,023	-	(375,434)
Roads and transportation	3,934,092	389,344	2,988,698	941,468	385,418
Governmental services to residents	277,216	131,558	25	-	(145,633)
Administration	689,121	26,374	281	-	(662,466)
Non-program	2,000	-	-	-	(2,000)
Interest on long-term debt	75,264	-	-	-	(75,264)
Total	\$ 8,333,909	1,473,597	3,859,179	941,468	(2,059,665)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,395,843
Debt service					228,786
Penalty and interest on property tax					75,532
State tax credits					203,857
Local option sales tax					239,178
Grants and contributions not restricted					1,173
Unrestricted investment earnings					6,389
Gain on disposition of capital assets					37,853
Miscellaneous					17,849
Total general revenues					3,206,460
Change in net position					1,146,795
Net position beginning of year, as restated					17,216,546
Net position end of year					\$ 18,363,341

See notes to financial statements.

Decatur County
Balance Sheet
Governmental Funds

June 30, 2015

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 520,776	672,867	38,957
Receivables:			
Property tax:			
Delinquent	38,771	7,301	12,699
Succeeding year	1,978,000	298,000	589,000
Interest and penalty on property tax	162,330	-	-
Accounts	25,330	-	455
Accrued interest	216	-	-
Due from other funds	-	-	-
Due from other governments	129,307	1,535	45,922
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 2,854,730	979,703	687,033
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 108,559	3,806	261
Salaries and benefits payable	53,769	1,979	3,379
Advances from grantors	-	-	-
Due to other funds	200	-	529
Due to other governments	11,735	-	-
Total liabilities	174,263	5,785	4,169
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	1,978,000	298,000	589,000
Other	201,101	7,301	12,699
Total deferred inflows of resources	2,179,101	305,301	601,699
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	73,074	-	-
Mental health purposes	-	668,617	-
Rural services purposes	-	-	81,165
Secondary roads purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Assigned for conservation purposes	40,927	-	-
Unassigned	387,365	-	-
Total fund balances	501,366	668,617	81,165
Total liabilities, deferred inflows of resources and fund balances	\$ 2,854,730	979,703	687,033

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
491,424	1,062,394	65,914	2,852,332
-	-	5,558	64,329
-	-	291,000	3,156,000
-	-	-	162,330
4,217	-	6,219	36,221
-	-	-	216
763	-	-	763
562,114	-	47,028	785,906
497,017	-	-	497,017
-	-	-	-
<u>1,555,535</u>	<u>1,062,394</u>	<u>415,719</u>	<u>7,555,114</u>
29,479	-	3,675	145,780
38,169	-	-	97,296
-	-	-	-
-	-	34	763
199	-	2,602	14,536
<u>67,847</u>	<u>-</u>	<u>6,311</u>	<u>258,375</u>
-	-	291,000	3,156,000
276,369	-	5,558	503,028
<u>276,369</u>	<u>-</u>	<u>296,558</u>	<u>3,659,028</u>
497,017	-	-	497,017
-	-	-	73,074
-	-	-	668,617
-	-	-	81,165
714,302	-	-	714,302
-	-	2,428	2,428
-	1,062,394	-	1,062,394
-	-	110,422	110,422
-	-	-	40,927
-	-	-	387,365
<u>1,211,319</u>	<u>1,062,394</u>	<u>112,850</u>	<u>3,637,711</u>
<u>1,555,535</u>	<u>1,062,394</u>	<u>415,719</u>	<u>7,555,114</u>

Decatur County

Decatur County

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

June 30, 2015

Total governmental fund balances (page 21) \$ 3,637,711

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$28,377,602 and the accumulated depreciation is \$8,535,654. 19,841,948

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. 503,028

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	\$ 480,401	
Deferred inflows of resources	(819,232)	(338,831)

Long-term liabilities, including general obligation notes payable, bank loan payable, Jail Authority revenue bonds payable, capital lease purchase agreement payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,280,515)

Net position of governmental activities (page 18) \$ 18,363,341

See notes to financial statements.

Decatur County

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

Year ended June 30, 2015

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,590,792	299,578	497,232
Local option sales tax	-	-	239,178
Interest and penalty on property tax	40,081	-	-
Intergovernmental	1,106,821	113,260	37,832
Licenses and permits	9,608	-	-
Charges for service	264,834	-	-
Use of money and property	3,223	-	-
Miscellaneous	60,262	4,332	2,666
Total revenues	3,075,621	417,170	776,908
Expenditures:			
Operating:			
Public safety and legal services	1,066,363	-	99,966
Physical health and social services	732,173	-	-
Mental health	347,909	246,534	-
County environment and education	296,039	-	112,511
Roads and transportation	-	-	-
Governmental services to residents	277,066	-	1,722
Administration	691,983	-	-
Debt service	5,608	-	-
Capital projects	-	-	-
Total expenditures	3,417,141	246,534	214,199
Excess (deficiency) of revenues over (under) expenditures	(341,520)	170,636	562,709
Other financing sources (uses):			
Sale of capital assets	2,501	-	2,143
Transfers in	-	-	-
Transfers out	(9,330)	-	(464,484)
General obligation notes issued	60,000	-	-
Capital lease purchase agreement	-	-	-
Revenue bonds issued	-	-	-
Premium on revenue bonds	-	-	-
Total other financing sources (uses)	53,171	-	(462,341)
Change in fund balances	(288,349)	170,636	100,368
Fund balances beginning of year	789,715	497,981	(19,203)
Fund balances end of year	\$ 501,366	668,617	81,165

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
-	-	228,040	2,615,642
-	-	-	239,178
-	-	-	40,081
3,137,634	-	470,546	4,866,093
-	-	-	9,608
20	-	8,189	273,043
-	114	3,054	6,391
364,505	-	28,582	460,347
3,502,159	114	738,411	8,510,383
-	-	16,033	1,182,362
-	-	387,071	1,119,244
-	-	-	594,443
-	-	63,809	472,359
3,244,012	-	-	3,244,012
-	-	-	278,788
-	-	27,124	719,107
-	600,230	247,233	853,071
634,862	1,810,663	-	2,445,525
3,878,874	2,410,893	741,270	10,908,911
(376,715)	(2,410,779)	(2,859)	(2,398,528)
52,290	-	4,164	61,098
464,484	-	9,330	473,814
-	-	-	(473,814)
-	-	-	60,000
50,000	-	-	50,000
-	3,300,000	-	3,300,000
-	66,993	-	66,993
566,774	3,366,993	13,494	3,538,091
190,059	956,214	10,635	1,139,563
1,021,260	106,180	102,215	2,498,148
1,211,319	1,062,394	112,850	3,637,711

Decatur 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 25) \$1,139,563

**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 expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,629,883	
Capital assets contributed by the Iowa Department of Transportation	631,468	
Depreciation expense	<u>(990,370)</u>	2,270,981

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. (23,245)

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	8,987	
Other	<u>214,820</u>	223,807

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

Issued	(3,410,000)	
Repaid	<u>802,807</u>	(2,607,193)

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 308,286

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

Compensated absences	(7,963)	
Other postemployment benefits	(11,000)	
Pension expense	<u>(146,441)</u>	<u>(165,404)</u>

Change in net position of governmental activities (page 19) \$1,146,795

See notes to financial statements.

Decatur County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Assets

Cash and pooled investments:

County Treasurer	\$ 1,239,081
Other County officials	8,979

Receivables:

Property tax:

Delinquent	146,848
Succeeding year	6,424,000
Accounts	63,680
Special assessments	49,606
Due from other governments	33,706

Total assets

7,965,900

Liabilities

Accounts payable	353
Salaries and benefits payable	11,143
Due to other governments	7,900,824
Trusts payable	45,163
Compensated absences	8,417

Total liabilities

7,965,900

Net position

\$ -

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Decatur 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, Decatur 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 Decatur County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The Decatur County Jail Authority is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

The Decatur County Jail Authority was established to acquire, destruct, demolish, improve, enlarge, equip, furnish, repair, maintain and operate one or more public buildings and to acquire and prepare any necessary site, including demolition of any structures, for the joint use of the incorporating units. Although the Authority is legally separate from the County, it is controlled, managed and supervised by a jointly appointed Board approved by the County and the City of Leon. The Authority is reported as a Capital Projects Fund. Financial information of the Authority can be obtained from the Decatur County Auditor's Office.

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

The County also participates in the following jointly governed organizations: the Wayne, Ringgold and Decatur County Solid Waste Management Commission, the Southern Iowa Resource Conservation and Development Area, Inc., the Southern Iowa Rural Water Association and the Southern Iowa Council of Governments.

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 unit. 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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction of improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental 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 roads construction and maintenance.

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

Additionally, the County reports the following funds:

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 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.

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

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

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

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

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 1 1/2% 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 – Special assessments receivable represent the amounts due from individuals for work done which benefits 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. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 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.

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	25,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

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 and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax 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 receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the capital projects function prior to amendment of the budget. In addition, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,774,573 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 200
	Special Revenue:	
	Rural Services	529
	Juvenile Tracking	34
Total		<u>\$ 763</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 9,330
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	464,484
Total		<u>\$ 473,814</u>

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

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,068,748	-	-	3,068,748
Intangibles, road network	519,719	-	-	519,719
Construction in progress, road network	185,481	1,025,069	1,032,740	177,810
Construction in progress	395,635	1,825,822	211,874	2,009,583
Total capital assets not being depreciated	4,169,583	2,850,891	1,244,614	5,775,860
Capital assets being depreciated:				
Buildings	1,807,492	211,874	-	2,019,366
Improvements other than buildings	386,936	-	-	386,936
Equipment and vehicles	5,306,867	410,460	322,455	5,394,872
Infrastructure, road network	13,767,828	1,032,740	-	14,800,568
Total capital assets being depreciated	21,269,123	1,655,074	322,455	22,601,742
Less accumulated depreciation for:				
Buildings	526,824	38,006	-	564,830
Improvements other than buildings	119,470	9,062	-	128,532
Equipment and vehicles	4,082,910	286,072	299,210	4,069,772
Infrastructure, road network	3,115,290	657,230	-	3,772,520
Total accumulated depreciation	7,844,494	990,370	299,210	8,535,654
Total capital assets being depreciated, net	13,424,629	664,704	23,245	14,066,088
Governmental activities capital assets, net	\$17,594,212	3,515,595	1,267,859	19,841,948

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 63,168
Physical health and social services	15,161
Mental health	15,195
County environment and education	22,653
Roads and transportation	846,315
Governmental services to residents	7,920
Administration	19,958
Total depreciation expense - governmental activities	\$ 990,370

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 11,735
Special Revenue:		
Secondary Roads	Services	199
Juvenile Tracking	Services	2,602
		<u>2,801</u>
Total for governmental funds		<u>\$ 14,536</u>
Agency:		
County Assessor	Collections	\$ 461,435
Schools		4,086,109
Community Colleges		191,912
Corporations		1,330,490
Townships		137,841
Auto License and Use Tax		153,755
CROSS Mental Health Region		165,219
All other		1,374,063
Total for agency funds		<u>\$ 7,900,824</u>

(7) Long-Term Liabilities

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

	General		Jail Authority	Capital Lease	Compen-				
	Bank	Obligation	Project	Revenue	Purchase	sated	Net Pension	Net OPEB	Total
	Loan	Notes	Note	Bonds	Agreement	Absences	Liability	Liability	
Balance beginning of year, as restated	\$ 66,677	-	590,425	-	-	260,932	2,399,616	137,000	3,454,650
Increases	-	60,000	-	3,300,000	50,000	201,666	-	44,000	3,655,666
Decreases	2,382	-	590,425	185,000	25,000	193,703	800,291	33,000	1,829,801
Balance end of year	<u>\$ 64,295</u>	<u>60,000</u>	<u>-</u>	<u>3,115,000</u>	<u>25,000</u>	<u>268,895</u>	<u>1,599,325</u>	<u>148,000</u>	<u>5,280,515</u>
Due within one year	<u>\$ 2,276</u>	<u>60,000</u>	<u>-</u>	<u>155,000</u>	<u>25,000</u>	<u>175,925</u>	<u>-</u>	<u>-</u>	<u>418,201</u>

Bank Loan Payable

A summary of the County's June 30, 2015 bank loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	4.85%	\$ 2,276	2,864	5,140
2017	4.85	2,616	2,991	5,607
2018	4.85	2,748	2,860	5,608
2019	4.85	2,886	2,722	5,608
2020	4.85	3,024	2,584	5,608
2021-2025	4.85	17,595	10,444	28,039
2026-2030	4.85	22,490	5,549	28,039
2031-2032	4.85	10,660	555	11,215
Total		\$ 64,295	30,569	94,864

On October 1, 2011, the County borrowed \$60,000 from American State Bank to purchase a building for the Public Health Department. On June 11, 2012, the County borrowed an additional \$70,000 from American State Bank to remodel the Public Health building. The bank rolled the outstanding balance of the original loan of \$58,879 with the additional \$70,000 borrowed for a new loan of \$128,879. The loan requires monthly payments of \$844 from July 1, 2012 through June 1, 2032. On May 29, 2013, the remaining principal balance was amortized to lower the monthly payment to \$467 per month due to a payment of \$50,000 made in May 2013. The interest rate of 4.85% per annum and the maturity date of June 1, 2032 remain the same. During the year ended June 30, 2015, the County paid \$2,382 of principal and \$3,226 of interest on the loan.

General Obligation Notes

On December 1, 2014, the County issued \$60,000 of general obligation notes to purchase computer equipment. The notes bear interest at 2.59% per annum and mature during the year ending June 30, 2016.

Jail Authority Revenue Bond Anticipation Project Note

On June 30, 2014, the Decatur County Jail Authority issued a revenue bond anticipation project note under the authority of Section 346.27 of the Code of Iowa for the purpose of paying a portion of the costs of the acquisition, construction, furnishing and equipping of jail facilities. The facility is being built for the joint use of Decatur County and the City of Leon. The note was not to exceed \$950,000 and had an interest rate of 2.76% per annum. During the year ended June 30, 2015, \$590,425 had been drawn on the note. Using Jail Authority revenue bond proceeds on December 19, 2014, the Decatur County Jail Authority redeemed the note by paying principal and interest of \$590,425 and \$7,305, respectively.

Jail Authority Revenue Bonds

On November 12, 2014, the Decatur County Jail Authority issued \$3,300,000 of Jail Facilities Revenue Bonds, Series 2014. The proceeds from the bonds will provide for financing the acquisition, construction, furnishing and equipping of jail facilities. The bonds are payable solely from future rental payments made by the County under a capital lease purchase agreement with the Jail Authority. The total principal and interest remaining to be paid on the bonds is \$3,979,330 and are payable through 2031. The bonds bear interest at rates ranging from 3.00% to 3.20% per annum. During the year ended June 30, 2015, the Authority paid principal of \$185,000 and interest of \$58,233 on the bonds.

The County entered into a capital lease purchase agreement dated November 1, 2014 with the Decatur County Jail Authority (Authority) for the purpose of leasing the jail facility with payment terms which correspond in timing and amount with the revenue bond debt service obligations. The County has an annual debt service levy for which collections have been pledged to the Authority for the purpose of paying the Authority's bond principal and interest amounts when due. The lease term continues until all bonds are retired or a purchase option is exercised by the County, which requires a payment from the County to the Authority sufficient to retire all remaining outstanding bond principal and interest. At the end of the lease term, the Authority surrenders ownership rights in the property to the County. Since the Jail Authority is reported as a part of the County, the liability is reported as revenue bonds rather than a capital lease purchase agreement.

Details of the Jail Authority revenue bonds outstanding at June 30, 2015 are as follows:

Year				
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2016	3.00%	\$ 155,000	94,278	249,278
2017	3.00	160,000	89,628	249,628
2018	3.00	165,000	84,828	249,828
2019	3.00	170,000	79,877	249,877
2020	3.00	175,000	74,777	249,777
2021-2025	3.00	950,000	292,137	1,242,137
2026-2030	3.00-3.10	1,100,000	141,125	1,241,125
2031	3.20	240,000	7,680	247,680
Total		<u>\$3,115,000</u>	<u>864,330</u>	<u>3,979,330</u>

Capital Lease Purchase Agreement

During the year ended June 30, 2015, the County entered into a capital lease purchase agreement for a backhoe for \$50,000. The future minimum lease payment due July 1, 2016 is \$25,688, including interest at 2.75% per annum. The present value of the net minimum lease payment at June 30, 2015 is \$25,000. Payments for the capital lease purchase agreement totaled \$25,000 for the year ended June 30, 2015.

(8) Pension Plan

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

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

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

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

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

The formula used to calculate a Sheriff's, deputy's 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 \$308,286.

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 \$1,599,325 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 0.0403268%, which was a decrease of 0.001466% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$146,441. 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	\$ 18,189	15,899
Changes of assumptions	73,859	12,356
Net difference between projected and actual earnings on pension plan investments	-	790,754
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	80,067	223
County contributions subsequent to the measurement date	308,286	-
Total	\$ 480,401	819,232

\$308,286 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (164,128)
2017	(164,128)
2018	(164,128)
2019	(164,128)
2020	9,395
Total	<u>\$ (647,117)</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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
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:	\$ 3,413,469	\$ 1,599,325	\$ 69,018

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.

Payables to IPERS - At June 30, 2015, the County had no payables to IPERS for legally required County contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 86 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount determined using the alternative measurement method permitted by 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	\$ 44,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	44,000
Contributions made	<u>(33,000)</u>
Increase in net OPEB obligation	11,000
Net OPEB obligation beginning of year	<u>137,000</u>
Net OPEB obligation end of year	<u>\$ 148,000</u>

For the year ended June 30, 2015, the County contributed \$33,000 to the medical plan. Plan members eligible for benefits contributed \$8,000, or 20% of premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 44,000	120.0%	\$ 126,000
2014	44,000	75.0	137,000
2015	44,000	75.0	148,000

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 \$347,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$347,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,230,000 and the ratio of the UAAL to covered payroll was 10.7%. 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 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 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using scale AA. Protective service employees are assumed to retire at age 58 and administrative employees are assumed to retire at age 61 subject to the minimum age/service retirement eligibility.

Projected claim costs of the medical plan A are \$654 per month for retirees, \$827 for retirees plus one dependent and plan B are \$572 per month for retirees, \$729 for retirees plus one dependent. 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.

(10) Risk Management

The County is a member of the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member county is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2015, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2015, 2014 and 2013, the risk pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

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 \$277,463.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Decatur County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Higher Education Notes

In December 2013, the County issued \$9,158,000 of refunding notes and \$2,292,000 of taxable revenue notes for Graceland University under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding on the refunding and taxable revenue notes at June 30, 2015 are \$9,158,000 and \$1,578,857, respectively. The notes and related interest are payable solely from and are secured by a pledge of revenues to be received from Graceland University and the note principal and interest do not constitute liabilities of the County.

(12) Decatur County Financial Information Included in the County Rural Offices of Social Services Mental Health Region

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective September 18, 2013, includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The financial activity of Decatur County's Special Revenue, Mental Health Fund is included in the County Rural Offices of Social Services (CROSS) Mental Health Region for the year ended June 30, 2015, as follows:

Revenues:		
Property and other county tax		\$ 299,578
Intergovernmental:		
State tax credits	\$ 24,216	
MH-DD reimbursement from other governments	14,086	
Payments from MHDS fiscal agent to MHDS regional members	68,344	
Social services block grant	6,435	
Other	179	113,260
Miscellaneous		<u>4,332</u>
Total revenues		<u>417,170</u>
Expenditures:		
Services to persons with:		
Mental illness	54,408	
Intellectual disabilities	11,573	
Other developmental disabilities	9,470	75,451
General administration:		
Direct administration	138,492	
Distribution to regional fiscal agent	32,591	171,083
Total expenditures		<u>246,534</u>
Excess of revenues over expenditures		170,636
Fund balance beginning of year		<u>497,981</u>
Fund balance end of year		<u>\$ 668,617</u>

(13) 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	\$ 19,316,547
Net pension liability at June 30, 2014	(2,399,616)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>299,615</u>
Net position July 1, 2014, as restated	<u>\$ 17,216,546</u>

Decatur County

Required Supplementary Information

Decatur 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	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 2,849,540	-	2,849,540
Interest and penalty on property tax	40,081	-	40,081
Intergovernmental	4,746,446	-	4,746,446
Licenses and permits	9,607	-	9,607
Charges for service	266,878	-	266,878
Use of money and property	6,252	3,165	3,087
Miscellaneous	460,991	-	460,991
Total receipts	8,379,795	3,165	8,376,630
Disbursements:			
Public safety and legal services	1,131,394	-	1,131,394
Physical health and social services	1,120,774	-	1,120,774
Mental health	608,585	-	608,585
County environment and education	468,587	-	468,587
Roads and transportation	3,369,048	-	3,369,048
Governmental services to residents	277,927	-	277,927
Administration	845,176	-	845,176
Debt service	1,097,054	847,463	249,591
Capital projects	3,035,618	2,335,797	699,821
Total disbursements	11,954,163	3,183,260	8,770,903
Deficiency of receipts under disbursements	(3,574,368)	(3,180,095)	(394,273)
Other financing sources, net	4,845,943	4,201,400	644,543
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,271,575	1,021,305	250,270
Balance beginning of year	1,580,757	40,890	1,539,867
Balance end of year	\$ 2,852,332	1,062,195	1,790,137

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
3,007,862	3,008,059	(158,519)
33,700	33,704	6,377
4,130,613	4,944,389	(197,943)
8,388	8,388	1,219
302,100	306,100	(39,222)
6,000	3,000	87
85,522	965,190	(504,199)
<u>7,574,185</u>	<u>9,268,830</u>	<u>(892,200)</u>
1,122,450	1,182,950	51,556
1,281,794	1,211,547	90,773
850,612	1,327,311	718,726
378,692	479,659	11,072
3,068,410	3,381,532	12,484
309,800	309,425	31,498
946,550	852,684	7,508
251,500	251,500	1,909
215,000	836,062	136,241
<u>8,424,808</u>	<u>9,832,670</u>	<u>1,061,767</u>
(850,623)	(563,840)	169,567
-	99,641	544,902
(850,623)	(464,199)	714,469
<u>2,395,614</u>	<u>1,531,743</u>	<u>8,124</u>
<u>1,544,991</u>	<u>1,067,544</u>	<u>722,593</u>

Decatur 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	\$ 8,379,795	130,588	8,510,383
Expenditures	11,954,163	(1,045,252)	10,908,911
Net	(3,574,368)	1,175,840	(2,398,528)
Other financing sources, net	4,845,943	(1,307,852)	3,538,091
Beginning fund balances	1,580,757	917,391	2,498,148
Ending fund balances	\$ 2,852,332	785,379	3,637,711

See accompanying independent auditor's report.

Decatur 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 and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,407,862. The budget amendments are reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the capital projects function before a budget amendment was adopted. In addition, disbursements in certain departments exceeded the amounts appropriated.

Decatur County

Decatur 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	0.0403268%
County's collective proportionate share of the net pension liability	\$ 1,599
County's covered-employee payroll	\$ 3,291
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.59%
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.

Decatur 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	\$ 308	300	274	252
Contributions in relation to the statutorily required contribution	<u>(308)</u>	<u>(300)</u>	<u>(274)</u>	<u>(252)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,385	3,291	3,078	3,006
Contributions as a percentage of covered-employee payroll	9.10%	9.12%	8.90%	8.38%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
217	206	201	181	155	144
<u>(217)</u>	<u>(206)</u>	<u>(201)</u>	<u>(181)</u>	<u>(155)</u>	<u>(144)</u>
-	-	-	-	-	-
2,951	2,962	3,038	2,862	2,498	2,291
7.35%	6.95%	6.62%	6.32%	6.20%	6.29%

Decatur 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.

Decatur County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 282	282	0.0%	\$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.0	2,685	10.5
2012	July 1, 2009	-	282	282	0.0	2,702	10.4
2013	July 1, 2012	-	347	347	0.0	2,908	11.9
2014	July 1, 2012	-	347	347	0.0	3,185	11.0
2015	July 1, 2012	-	347	347	0.0	3,230	10.7

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

See accompanying independent auditor's report.

Supplementary Information

Decatur County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2015

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Special Juvenile Tracking
Assets				
Cash, cash equivalents and pooled investments	\$ 8,129	14,747	5,085	13,813
Receivables:				
Delinquent property tax	-	-	-	-
Succeeding year property tax	-	-	-	-
Accounts	-	-	-	6,219
Due from other governments	-	-	-	46,928
Total assets	\$ 8,129	14,747	5,085	66,960
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	3,675
Due to other funds	-	-	-	34
Due to other governments	-	-	-	2,602
Total liabilities	-	-	-	6,311
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	8,129	14,747	5,085	60,649
Total fund balances	8,129	14,747	5,085	60,649
Total liabilities, deferred inflows of resources and fund balances	\$ 8,129	14,747	5,085	66,960

See accompanying independent auditor's report.

Revenue					
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total
1,358	9,365	9,234	1,755	2,428	65,914
-	-	-	-	5,558	5,558
-	-	-	-	291,000	291,000
-	-	-	-	-	6,219
-	100	-	-	-	47,028
1,358	9,465	9,234	1,755	298,986	415,719
-	-	-	-	-	3,675
-	-	-	-	-	34
-	-	-	-	-	2,602
-	-	-	-	-	6,311
-	-	-	-	291,000	291,000
-	-	-	-	5,558	5,558
-	-	-	-	296,558	296,558
-	-	-	-	2,428	2,428
1,358	9,465	9,234	1,755	-	110,422
1,358	9,465	9,234	1,755	2,428	112,850
1,358	9,465	9,234	1,755	298,986	415,719

Decatur County

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

Year ended June 30, 2015

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Special Juvenile Tracking
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	47,995	-	399,111
Charges for service	1,469	-	-	-
Use of money and property	-	3	-	-
Miscellaneous	-	-	-	15,856
Total revenues	1,469	47,998	-	414,967
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	377,948
County environment and education	-	63,809	-	-
Administration	2,173	-	-	-
Debt service	-	-	-	-
Total expenditures	2,173	63,809	-	377,948
Excess (deficiency) of revenues over (under) expenditures	(704)	(15,811)	-	37,019
Other financing sources:				
Sale of capital assets	-	-	-	4,164
Transfers in	-	-	-	-
Total other financing sources	-	-	-	4,164
Change in fund balances	(704)	(15,811)	-	41,183
Fund balances beginning of year	8,833	30,558	5,085	19,466
Fund balances end of year	\$ 8,129	14,747	5,085	60,649

See accompanying independent auditor's report.

Revenue							
Emergency	Special	County					
Medical	Law	Attorney	Courthouse	Freedom	Debt		
Services	Enforcement	Forfeiture	Repair	Rock	Service		Total
	Proceeds						
-	-	-	-	-	228,040		228,040
4,770	100	-	-	-	18,570		470,546
-	6,720	-	-	-	-		8,189
-	-	-	-	-	3,051		3,054
10	10,344	2,091	-	281	-		28,582
4,780	17,164	2,091	-	281	249,661		738,411
-	16,033	-	-	-	-		16,033
9,123	-	-	-	-	-		387,071
-	-	-	-	-	-		63,809
-	-	-	24,670	281	-		27,124
-	-	-	-	-	247,233		247,233
9,123	16,033	-	24,670	281	247,233		741,270
(4,343)	1,131	2,091	(24,670)	-	2,428		(2,859)
-	-	-	-	-	-		4,164
-	-	-	-	-	9,330		9,330
-	-	-	-	-	9,330		13,494
(4,343)	1,131	2,091	(24,670)	-	11,758		10,635
5,701	8,334	7,143	26,425	-	(9,330)		102,215
1,358	9,465	9,234	1,755	-	2,428		112,850

Decatur County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,332	300,557	74,164	3,524
Other County officials	8,979	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,662	4,187	93,945	4,388
Succeeding year	-	79,000	175,000	3,918,000	184,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 8,979	81,994	479,744	4,086,109	191,912
Liabilities					
Accounts payable	\$ -	-	9	-	-
Salaries and benefits payable	-	-	9,883	-	-
Due to other governments	8,979	81,994	461,435	4,086,109	191,912
Trusts payable	-	-	-	-	-
Compensated absences	-	-	8,417	-	-
Total liabilities	\$ 8,979	81,994	479,744	4,086,109	191,912

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
31,639	1,850	153,755	165,699	506,561	1,239,081
-	-	-	-	-	8,979
23,851	2,991	-	-	15,824	146,848
1,275,000	133,000	-	-	660,000	6,424,000
-	-	-	-	63,680	63,680
-	-	-	-	49,606	49,606
-	-	-	-	33,706	33,706
<u>1,330,490</u>	<u>137,841</u>	<u>153,755</u>	<u>165,699</u>	<u>1,329,377</u>	<u>7,965,900</u>
-	-	-	-	344	353
-	-	-	480	780	11,143
1,330,490	137,841	153,755	165,219	1,283,090	7,900,824
-	-	-	-	45,163	45,163
-	-	-	-	-	8,417
<u>1,330,490</u>	<u>137,841</u>	<u>153,755</u>	<u>165,699</u>	<u>1,329,377</u>	<u>7,965,900</u>

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 14,229	70,830	453,636	3,946,265	188,479
Additions:					
Property and other county tax	-	77,395	177,185	3,929,624	184,375
E911 surcharge	-	-	-	-	-
State tax credits	-	7,551	13,991	310,378	14,691
Office fees and collections	161,688	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	175,422	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	337,110	84,946	191,176	4,240,002	199,066
Deductions:					
Agency remittances:					
To other funds	79,746	-	-	-	-
To other governments	87,724	73,782	165,068	4,100,158	195,633
Trusts paid out	174,890	-	-	-	-
Total deductions	342,360	73,782	165,068	4,100,158	195,633
Balances end of year	\$ 8,979	81,994	479,744	4,086,109	191,912

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
1,340,245	123,703	162,075	-	1,178,392	7,477,854
1,255,908	134,083	-	-	662,396	6,420,966
-	-	-	-	41,554	41,554
133,521	8,129	-	-	77,775	566,036
-	-	-	-	-	161,688
-	-	2,022,451	-	-	2,022,451
-	-	-	-	17,898	17,898
-	-	-	-	156,209	331,631
-	-	-	349,965	257,083	607,048
1,389,429	142,212	2,022,451	349,965	1,212,915	10,169,272
-	-	77,031	16,681	-	173,458
1,399,184	128,074	1,953,740	167,585	915,548	9,186,496
-	-	-	-	146,620	321,510
1,399,184	128,074	2,030,771	184,266	1,062,168	9,681,464
1,330,490	137,841	153,755	165,699	1,329,139	7,965,662

Decatur County

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

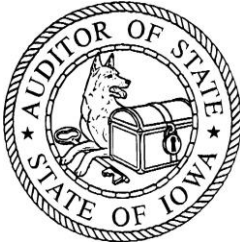
For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 2,615,642	2,326,729	2,341,345	2,641,230
Local option sales tax	239,178	207,420	223,325	233,863
Interest and penalty on property tax	40,081	34,206	33,658	38,698
Intergovernmental	4,866,093	4,356,943	4,097,394	4,734,628
Licenses and permits	9,608	9,185	8,287	7,041
Charges for service	273,043	274,291	275,618	276,759
Use of money and property	6,391	5,297	15,265	16,315
Miscellaneous	460,347	184,144	133,253	260,834
Total	\$ 8,510,383	7,398,215	7,128,145	8,209,368
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,182,362	1,119,870	999,256	994,986
Physical health and social services	1,119,244	1,218,807	1,209,667	1,296,932
Mental health	594,443	578,325	491,385	1,335,574
County environment and education	472,359	411,689	364,291	385,260
Roads and transportation	3,244,012	3,488,258	3,062,269	2,714,101
Governmental services to residents	278,788	281,652	263,161	251,194
Administration	719,107	928,488	624,649	520,688
Non-program	-	-	-	-
Debt service	853,071	6,125	506,455	250
Capital projects	2,445,525	640,321	128,084	223,949
Total	\$ 10,908,911	8,673,535	7,649,217	7,722,934

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
2,385,586	2,330,691	2,147,097	1,917,384	1,883,153	1,818,723
196,528	207,294	194,886	210,406	221,697	181,061
35,276	35,905	35,961	34,997	31,338	32,839
4,663,097	4,526,232	4,524,871	4,575,473	4,199,531	3,887,731
7,462	6,997	4,552	3,489	4,431	2,182
298,864	261,623	260,759	297,940	270,620	291,073
19,206	27,248	32,866	97,023	109,774	97,725
237,043	276,605	196,132	179,808	210,735	154,284
7,843,062	7,672,595	7,397,124	7,316,520	6,931,279	6,465,618
928,288	911,014	889,564	896,793	841,586	800,104
1,243,715	1,175,459	1,219,969	1,241,444	1,008,891	947,087
1,132,926	993,984	1,096,615	1,176,131	1,099,423	1,036,031
348,532	364,380	357,413	301,919	300,666	246,993
2,990,872	2,988,154	2,934,283	2,726,522	2,808,097	2,709,029
271,421	256,647	255,150	240,104	218,865	356,007
591,093	628,799	594,887	578,576	581,694	571,962
-	-	7,542	-	-	-
-	-	-	80,736	68,090	76,325
129,701	219,324	27,697	64,936	123,954	130,190
7,636,548	7,537,761	7,383,120	7,307,161	7,051,266	6,873,728

Decatur County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Decatur 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 Decatur 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 March 8, 2016.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur 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.

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.


Decatur County's Responses to the Findings


Decatur County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Decatur 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 Decatur 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

March 8, 2016

Decatur County

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Auditor – The duties of recording sick leave and vacation, entering payroll input, preparing and distributing payroll warrants and custody of undistributed payroll warrants are not segregated and there is no evidence of independent review of payroll journals. Compensated absences are not periodically reviewed by an independent person.
 - (2) Treasurer – The duties of opening the mail, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and being custodian of the change fund are not segregated. A list of checks received in the mail is periodically prepared by the mail opener but there is no independent review or reconciliation of the initial listing. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. Additionally, the same individual who collects receipts can also void receipts and reconcile the bank account. There is no independent review of the daily motor vehicle reconciliation. A change fund for the Treasurer’s Office is shared among employees.
 - (3) Recorder – The duties of opening mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A list of checks received in the mail is not prepared by the person opening the mail. Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
 - (4) Sheriff – The duties of depositing, posting, daily reconciling and being custodian of the change fund are not segregated.
 - (5) Secondary Roads Department – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and maintaining accounts receivable records are not segregated. An initial listing of mail receipts is prepared, but there is no independent review or reconciliation of the initial receipt listing.

Decatur County

Schedule of Findings

Year ended June 30, 2015

- (6) Conservation Department – The duties of collecting and depositing receipts are not segregated. A listing of checks received in the mail is not prepared by the person opening the mail. Checks received are not restrictively endorsed at the time of receipt.
- (7) Public Health Department – The duties of opening the mail, collecting, depositing, posting, daily reconciling and maintaining accounts receivable records are not segregated. An initial listing of mail receipts is prepared, but there is no independent review or reconciliation of the initial receipt listing.

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 officials should utilize current personnel and elected officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review.

Responses –

Auditor – The Auditor’s Office makes every attempt to segregate the duties of recording sick leave and vacation, entering payroll input, preparing and distributing payroll warrants and custody of undistributed payroll warrants. The Auditor’s Office does and will continue to coordinate with the Office Manager for the Secondary Roads Department each pay period to perform an independent review of the payroll journals. The journals are and will continue to be evidenced by signatures of the Auditor, Deputy Auditor and Secondary Roads’ Office Manager.

Treasurer – I will try to review the daily reconciliation of motor vehicle and taxes on a daily basis and initial to document my review. As of December 29, 2015, I do write down mail on a regular basis, but need to take it one step further by checking the system and making sure these transactions are posted whether it’s motor vehicle or taxes. Since January 2015, I do have an independent individual review the month bank statements.

Recorder – We take turns opening the mail. At the end of the month the Deputy writes the checks and the County Recorder signs them.

Sheriff – One individual does the deposit of funds. A second individual does bank reconciliations monthly and the County Sheriff reviews them monthly.

Secondary Roads Department – All transactions, incoming, outgoing, and other sensitive operations are prepared and reviewed by at least two employees. The Department head reviews all operations and provides reports to the Board of Supervisors regularly as well.

Conservation Department – We will try to comply with these recommendations.

Decatur County

Schedule of Findings

Year ended June 30, 2015

Public Health Department – I make every effort to inform everyone of our receipts and payables. I work with the Administrator and the County Auditor's office to keep things in line.

Conclusions –

Recorder, Sheriff, Secondary Roads Department and Public Health Department – Response acknowledged. The Departments should utilize current personnel or personnel from other offices to provide additional control.

All Others - Responses accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. In addition, revenues from the sale of capital assets were not properly recorded in the County's financial statements.

Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and revenue from the sale of capital assets are properly identified and included in the County's financial statements. In addition, the County should implement procedures to ensure all financial transactions are properly classified.

Response – Over a year ago, we implemented a quarterly review by all department heads of their capital assets in an effort to keep current on all capital asset additions and deletions for inclusion in the financial statements. We will make every effort to ensure all transactions are properly identified and recorded.

Conclusion – Response accepted.

- (C) Maintenance of Financial Records – During the year ended June 30, 2015, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2015, the book balance exceeded the bank balance by \$30,262.

The variances between the bank balance and the general ledger were due, in part, to certain records not being maintained on a current basis and not being maintained in a manner to ensure all collections were properly recorded in the County's financial system. In addition, numerous warrants which cleared the County's bank account were not cleared on the County's general ledger system on a timely basis.

Also, tax reconciliations were not prepared in a timely manner by the Treasurer and contained variances of \$24,211.

Recommendation – The County should investigate and resolve variances between the bank balance and the general ledger. In addition, records should be maintained on a current basis and in a way to ensure all collections are recorded. Tax reconciliations should be prepared timely and variances should be resolved in a timely manner.

Decatur County
Schedule of Findings
Year ended June 30, 2015

Responses –

Treasurer – I believe I have the book balance and bank balance down to a difference of \$14,127. We will be sure to receipt and make entries in a timely manner. I will run reports needed for tax reconciliations on a timely basis and prepare reconciliations timely.

Auditor – Resolving this issue is critical. The Auditor’s Office will do everything it can to help with this.

Conclusion – Responses accepted.

- (D) Timely Deposit – Receipts were not always deposited timely. Sixteen warrants from the State of Iowa were not deposited or posted to the general ledger within 15 days.

Recommendation – All collections received should be deposited intact timely.

Response – I will make sure these receipts are deposited and posted as soon as we receive them.

Conclusion – Response accepted.

- (E) Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.

Recommendation – Office procedures and accounting manuals should be prepared for all County offices.

Responses –

Treasurer – I will try to work on putting a manual together on procedures.

Auditor – We use the Tyler Technologies procedures manuals for accounts payable and payroll processes so there is consistency no matter who in the office is performing the tasks.

Recorder – We do have a Recorder’s Hand Book.

Conclusion – Responses acknowledged. Offices should continue to develop written procedures and manuals.

Decatur County
Schedule of Findings
Year ended June 30, 2015

- (F) Computer Systems – The following weaknesses in the County’s computer systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- logging off unattended terminals or screensaver protected terminals.
- maintaining security upon termination of employment.

In addition, the County’s disaster recovery plan for the County’s computer systems does not include many key elements, such as requiring a copy of the plan be kept off site, requiring backups be kept offsite and maintenance of an inventory of all hardware components and software applications needed to reestablish operations.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. The County should include the suggested key elements in its written disaster recovery plan.

Response – We will work to develop written policies addressing the items listed as well as other “best practices” related to computer security issues. In addition, the County will review its disaster recovery plan relating to our computer systems and update it to include the suggested key elements to ensure a speedy and accurate recovery of operations.

Conclusion – Response accepted.

- (G) County Sheriff – Book balances are not reconciled to the trust account listings. In addition, the County Sheriff’s Office does not prepare an annual summary of receipts and disbursements.

Recommendation – Book balances should be reconciled at the end of each month to a list of trusts on hand. A worksheet summarizing the monthly receipts and disbursements for the year should be prepared.

Response – I realize the bank balance is off, but I am trying to pay out balances from years prior to me taking over these duties. I have found several items to be paid and have paid them. I am still working on finding the rest.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2015

(H) Employee Evaluations – Annual employee performance evaluations are not performed.

Recommendation – The County should perform annual employee performance evaluations as required by the County's personnel policy.

Response – The Board is working with a Human Resources consultant to update the County's personnel policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the capital projects function prior to a budget amendment being adopted. Also, disbursements in certain departments exceeded the amounts appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – In an effort to more closely track departmental expenses, as well as those by function versus their appropriation, new procedures were implemented, which include the Auditor presenting the Board of Supervisors, at least monthly, with departmental expenditure status reports, expenditure status reports by function and cash balance reports. Efforts will continue to be made to ensure disbursements by function and by department do not exceed the amounts appropriated, and if necessary to do so, we will proceed with Chapters 331.435 and 331.434 (6) of the Code.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rich Erke, Conservation Director, Son owns Midwest Land Restoration	Habitat improvement	\$ 15,260
Jim Fulton, Board of Supervisors, Sole proprietor of Fulton Electric	Electrical repair	1,313
J.R. Cornett, Board of Supervisors, Owns Carquest of Lamoni	Auto repair and supplies	268

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transaction with Midwest Land Restoration do not appear to represent a conflict of interest since the services were competitively bid.

Decatur County

Schedule of Findings

Year ended June 30, 2015

The transactions with Jim Fulton and J.R. Cornett do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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.

Decatur County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Christian E. Cottingham, Staff Auditor
Alison C. Anker, Assistant Auditor
Debra M. Copeland, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State