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

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE December 21, 2016

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

The County had local tax revenue of $10,634,032 for the year ended June 30, 2016, which included $906,788 in tax credits from the state. The County forwarded $6,766,378 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $3,867,654 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of $998,731, operating grants, contributions and restricted interest of $3,844,259, capital grants, contributions and restricted interest of $421,532, local option sales tax of $216,613, gain on disposition of capital assets of $21,800, unrestricted investment earnings of $42,065 and other general revenues of $99,076.

Expenses for County operations for the year ended June 30, 2016 totaled $8,851,898, a 3.2% increase over the prior year. Expenses included $4,446,839 for roads and transportation, $1,732,363 for public safety and legal services and $989,020 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 https://auditor.iowa.gov/reports/1610-0087-B00F.

# # #

# TAYLOR COUNTY

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

**JUNE 30, 2016**

1610-0087-B00F

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**Taylor County**

**Officials**

| Name | Title | Term Expires |
|---|---|---|
| Charles Ambrose | Board of Supervisors | Jan 2017 |
| Jerry Murphy | Board of Supervisors | Jan 2017 |
| Doug Horton | Board of Supervisors | Jan 2019 |
| Bonny Baker | County Auditor | Jan 2017 |
| Dana Davis | County Treasurer | Jan 2019 |
| Rick Sheley | County Recorder | Jan 2019 |
| Josh Weed | County Sheriff | Jan 2017 |
| Clinton L. Spurrier | County Attorney | Jan 2019 |
| Sharon Dalton | County Assessor | Jan 2020 |

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Auditor of State

## Independent Auditor's Report

To the Officials of Taylor 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 Taylor County, Iowa, as of and for the year ended June 30, 2016, 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 Taylor County as of June 30, 2016 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 46 through 55 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 Taylor 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, 2016 (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 December 5, 2016 on our consideration of Taylor 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 Taylor County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

December 5, 2016

**Taylor County**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Taylor 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, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

**2016 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 8.0%, or approximately $706,000, from fiscal year 2015 to fiscal year 2016. Charges for service increased approximately $35,000, or 3.6%. Capital grants, contributions and restricted interest increased approximately $153,000, or 57.1%, primarily due to an increase in funding from the Iowa Department of Transportation for bridge projects.

- Program expenses of the County's governmental activities were 3.2%, or approximately $274,000, more in fiscal year 2016 than in fiscal year 2015. Public safety and legal services expenses increased approximately $465,000, or 36.7%, from fiscal year 2015 to fiscal year 2016. Roads and transportation expenses decreased approximately $285,000, or 6.0%.

- Net position at June 30, 2016 increased 3.6%, or approximately $660,000, over the June 30, 2015 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 Taylor 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 Taylor 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 Taylor 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 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, Secondary Roads and Rural Services, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) 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 the County Assessor, emergency management services and the Empowerment area, 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**

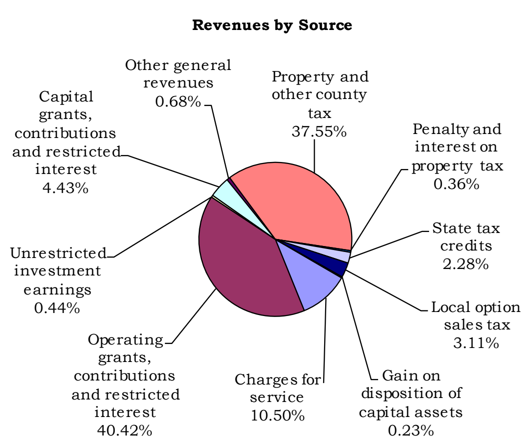
As noted earlier, net position may serve over time as a useful indicator of financial position. Taylor County's combined net position increased from approximately $18.6 million to approximately $19.2 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

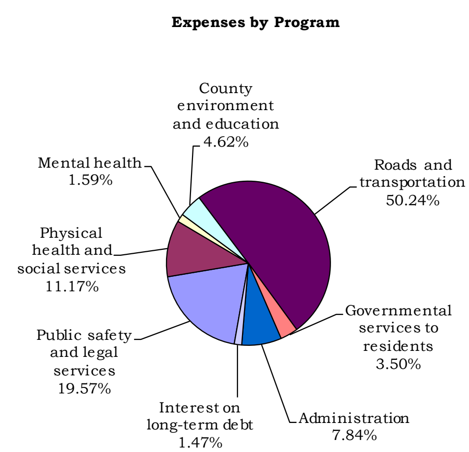
Net Position of Governmental Activities
(Expressed in Thousands)

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Current and other assets | $ 8,874 | 9,342 |
| Capital assets | 22,834 | 23,051 |
| Total assets | 31,708 | 32,393 |
| Deferred outflows of resources | 348 | 334 |
| Long-term liabilities | 8,834 | 9,548 |
| Other liabilities | 191 | 375 |
| Total liabilities | 9,025 | 9,923 |
| Deferred inflows of resources | 3,817 | 4,250 |
| Net position: | | |
| Net investment in capital assets | 15,809 | 15,919 |
| Restricted | 3,472 | 2,938 |
| Unrestricted | (67) | (303) |
| Total net position | $ 19,214 | 18,554 |

The net position of Taylor County's governmental activities increased approximately $660,000, or 3.6%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately $303,000 at June 30, 2015 to a deficit of approximately $67,000 at the end of the year, an increase of 77.9%, primarily due to the decrease in long term liabilities.

| Changes in Net Position of Governmental Activities<br>(Expressed in Thousands) | | |
|---|---|---|
| | Year ended June 30, | |
| | 2016 | 2015 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | $ 999 | 964 |
| Operating grants, contributions and restricted interest | 3,844 | 3,347 |
| Capital grants, contributions and restricted interest | 421 | 268 |
| General revenues: | | |
| Property and other county tax | 3,572 | 3,554 |
| Penalty and interest on property tax | 34 | 36 |
| State tax credits | 296 | 290 |
| Local option sales tax | 217 | 199 |
| Unrestricted investment earnings | 42 | 67 |
| Gain on disposition of capital assets | 22 | 3 |
| Other general revenues | 65 | 78 |
| Total revenues | 9,512 | 8,806 |
| Program expenses: | | |
| Public safety and legal services | 1,732 | 1,267 |
| Physical health and social services | 989 | 1,009 |
| Mental health | 141 | 146 |
| County environment and education | 409 | 291 |
| Roads and transportation | 4,447 | 4,732 |
| Governmental services to residents | 310 | 295 |
| Administration | 694 | 685 |
| Interest on long-term debt | 130 | 153 |
| Total expenses | 8,852 | 8,578 |
| Change in net position | 660 | 228 |
| Net position beginning of year | 18,554 | 18,326 |
| Net position end of year | $ 19,214 | 18,554 |



The County decreased property tax rates for fiscal year 2016 by 2.7%. However, property tax valuations increased approximately 3.9%. These factors combined to raise the County's property tax revenue approximately $18,000 in fiscal year 2016. Based on increases in the tax rate and taxable valuations, property tax revenue is budgeted to increase approximately $239,000 next year.

The cost of all governmental activities this year was approximately $8.9 million compared to approximately $8.6 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $3.6 million because some of the cost was paid by those directly benefited from the programs (approximately $999,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $4,265,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately $4,579,000 to approximately $5,264,000, principally due to receiving grant proceeds for two bridge projects.

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Taylor County completed the year, its governmental funds reported a combined fund balance of $5,097,062, a decrease of $322,999 from last year's total fund balance of $5,419,861. The decrease in the combined fund balance is primarily attributable to a decrease in the Capital Projects Fund. The balances of the General Fund as well as the Special Revenue, Mental Health and Secondary Roads Funds increased in fiscal year 2016. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund property and other county tax revenue increased due to an increase in property valuations. Intergovernmental revenue increased approximately $79,000 due to the increase of ambulance services for the entire fiscal year and an increase in grants from the State of Iowa. General Fund expenditures increased approximately $220,000, primarily due to an increase of approximately $159,000 for public safety and legal services, which included an increase in payroll costs for the hiring of three new officers.

- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2016, Special Revenue, Mental Health Fund expenditures totaled approximately $141,000, a decrease of 3.3% from the prior year, primarily due to the statewide mental health redesign. The ending fund balance increased from approximately $800 to approximately $900. The increase is primarily due to the statewide mental health redesign, which shifted Medicaid funding to the regional level instead of the County level. The redesign led to no expenditures being made at the County level, except to forward property tax received to the Region.

- Special Revenue, Secondary Roads Fund expenditures increased approximately $343,000, or 9.9%, primarily due to increased payments for the construction of the Bridges in fiscal year 2016. Total revenues increased approximately $606,000. The ending fund balance in the Secondary Roads Fund increased approximately $650,000, or 43.3%.

- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of $315,509 compared to the prior year ending balance of $365,454. There were no significant changes in revenues or expenditures.

- The Debt Service Fund ended the fiscal year with a fund balance of approximately $27,000 compared to the prior year ending balance of approximately $19,000. There were no significant changes in revenues or expenditures.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Taylor County amended its budget one time. The amendment was made on May 23, 2016, primarily for the increase in disbursements to pay off the loan for two road motor graders.

The County's receipts were $48,389 less than budgeted. Actual intergovernmental receipts were $228,704 less than budgeted. This was primarily due to conservation funds not being received for the State Watershed Improvement Review Board Project (WIRB Project) and less work being completed on the Bridge Project than anticipated.

Total disbursements were $1,359,167 less than the amended budget. Actual disbursements for the capital projects, public safety and legal services and physical health social services functions were $642,960, $238,519 and $223,420, respectively, less than budgeted. The variance in capital projects was due to less progress on projects than anticipated for fiscal year 2016. The variance in public safety and legal services disbursements was due to not all of the Sheriff software being paid for in fiscal year 2016 and a new ambulance that was budgeted for $150,000 was not purchased. The variance in physical health and social services was due to the Partnership with Adams County not taking place until fiscal year 2017.

With the budget amendment, the County did not exceed the budgeted amount for any function during the year ended June 30, 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, Taylor County had approximately $22.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately $217,000, or 0.9%, from last year.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

| | June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Land | $ 892 | 892 |
| Construction in progress | 595 | 2,919 |
| Buildings and improvements | 4,133 | 454 |
| Equipment and vehicles | 1,231 | 1,434 |
| Infrastructure | 15,983 | 17,352 |
| Total | $ 22,834 | 23,051 |

The County had depreciation expense of $1,841,463 in fiscal year 2016 and total accumulated depreciation of $14,381,242 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2016, Taylor County had approximately $7,025,000 of outstanding debt versus approximately $8,099,000 last year, a decrease of $1,074,000 from June 30, 2015.

Outstanding Debt of Governmental Activities at Year-End
(Expressed in Thousands)

| | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Installment purchase agreement | - | 24 |
| General obligation capital loan notes | - | 230 |
| General obligation bonds | 7,025 | 7,845 |
| Total | $ 7,025 | 8,099 |

Debt decreased as a result of scheduled debt payments during fiscal year 2016 and the County paid off the remaining balance of the $285,000 general obligation capital loan note.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $33.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Many factors were taken into account when adopting the budget for fiscal year 2017. The County had a countywide valuation increase of $18,612,383 and the rural valuation increased $17,738,230 for fiscal year 2017. The rollback totaled 54.6259% for residential property for fiscal year 2016, compared to the fiscal year 2015 rollback of 55.7335%.

Amounts levied for property tax are $3,859,361, an increase of $19,846 over fiscal year 2016. Total receipts and other financing sources for fiscal year 2017 increased $411,000 from the amended budget for fiscal year 2016. This increase is mainly due to an increase in expected intergovernmental revenues.

Budgeted disbursements decreased $607,900 from the amended fiscal year 2016 budget. The decrease is primarily due to a decrease in capital projects from fiscal year 2016.

The County has added no major new programs or initiatives to the fiscal year 2017 budget

If these estimates are realized, the County's budgetary operating balance is expected to increase by the close of fiscal year 2017.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Taylor 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 Taylor County Auditor's Office, 405 Jefferson Street, Bedford, Iowa 50833.

**Taylor County**

**Basic Financial Statements**

# Taylor County

## Statement of Net Position

## June 30, 2016

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and pooled investments | $ 4,160,487 |
| Receivables: | |
| Property tax: | |
| Delinquent | 5,447 |
| Succeeding year | 3,562,000 |
| Interest and penalty on property tax | 17,146 |
| Accounts | 32,916 |
| Accrued interest | 996 |
| Due from other governments | 606,965 |
| Inventories | 265,094 |
| Prepaid items | 222,908 |
| Capital assets, net of accumulated depreciation | 22,834,155 |
| **Total assets** | 31,708,114 |
| **Deferred Outflows of Resources** | |
| Pension related deferred outflows | 347,737 |
| **Liabilities** | |
| Accounts payable | 154,053 |
| Accrued interest payable | 4,910 |
| Salaries and benefits payable | 8,878 |
| Due to other governments | 23,400 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| General obligation bonds | 830,000 |
| Compensated absences | 117,770 |
| Portion due or payable after one year: | |
| General obligation bonds | 6,195,000 |
| Compensated absences | 126,419 |
| Net pension liability | 1,531,635 |
| Net OPEB liability | 33,208 |
| **Total liabilities** | 9,025,273 |
| **Deferred Inflows of Resources** | |
| Unavailable property tax revenue | 3,562,000 |
| Pension related deferred inflows | 254,570 |
| **Total deferred inflows of resources** | 3,816,570 |
| **Net Position** | |
| Net investment in capital assets | 15,809,155 |
| Restricted for: | |
| Supplemental levy purposes | 445,661 |
| Mental health purposes | 1,081 |
| Rural services purposes | 315,521 |
| Secondary roads purposes | 1,961,671 |
| Debt service | 23,755 |
| Conservation purposes | 58,323 |
| Ambulance services | 285,625 |
| Other purposes | 380,417 |
| Unrestricted | (67,201) |
| **Total net position** | $ 19,214,008 |

See notes to financial statements.

# Taylor County

## Statement of Activities

## Year ended June 30, 2016

| | Expenses | Program Revenues: Charges for Service | Program Revenues: Operating Grants, Contributions and Restricted Interest | Program Revenues: Capital Grants, Contributions and Restricted Interest | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **Functions/Programs:** | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | $ 1,732,363 | 597,751 | 94,815 | - | (1,039,797) |
| Physical health and social services | 989,020 | 158,275 | 519,470 | - | (311,275) |
| Mental health | 141,450 | - | - | - | (141,450) |
| County environment and education | 409,261 | 10,115 | 121,624 | - | (277,522) |
| Roads and transportation | 4,446,839 | 112,674 | 3,108,350 | 421,532 | (804,283) |
| Governmental services to residents | 309,543 | 111,130 | - | - | (198,413) |
| Administration | 693,582 | 8,786 | - | - | (684,796) |
| Interest on long-term debt | 129,840 | - | - | - | (129,840) |
| Total | $ 8,851,898 | 998,731 | 3,844,259 | 421,532 | (3,587,376) |
| **General Revenues:** | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 2,692,262 |
| Debt service | | | | | 879,697 |
| Penalty and interest on property tax | | | | | 34,034 |
| State tax credits | | | | | 295,695 |
| Local option sales tax | | | | | 216,613 |
| Unrestricted investment earnings | | | | | 42,065 |
| Gain on disposition of capital assets | | | | | 21,800 |
| Miscellaneous | | | | | 65,042 |
| Total general revenues | | | | | 4,247,208 |
| Change in net position | | | | | 659,832 |
| Net position beginning of year | | | | | 18,554,176 |
| Net position end of year | | | | | $ 19,214,008 |

See notes to financial statements.

Taylor County

Balance Sheet
Governmental Funds

June 30, 2016

| | General | Special Revenue Mental Health | Secondary Roads | Rural Services |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and pooled investments | $ 1,942,412 | 914 | 1,534,813 | 301,287 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 3,612 | 167 | - | 11 |
| Succeeding year | 1,910,000 | 88,000 | - | 683,000 |
| Interest and penalty on property tax | 17,146 | - | - | - |
| Accounts | 29,494 | - | 3,422 | - |
| Accrued interest | 996 | - | - | - |
| Due from other governments | 95,782 | - | 466,923 | 14,740 |
| Inventories | - | - | 265,094 | - |
| Prepaid items | 219,108 | - | 3,800 | - |
| **Total assets** | $ 4,218,550 | 89,081 | 2,274,052 | 999,038 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 38,787 | - | 112,015 | 493 |
| Salaries and benefits payable | 4,580 | - | 4,273 | 25 |
| Due to other governments | 16,747 | - | 4,588 | - |
| Total liabilities | 60,114 | - | 120,876 | 518 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 1,910,000 | 88,000 | - | 683,000 |
| Other | 26,731 | 167 | - | 11 |
| Total deferred inflows of resources | 1,936,731 | 88,167 | - | 683,011 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventories | - | - | 265,094 | - |
| Prepaid items | 219,108 | - | 3,800 | - |
| Restricted for: | | | | |
| Supplemental levy purposes | 458,504 | - | - | - |
| Rural services purposes | - | - | - | 315,509 |
| Secondary roads purposes | - | - | 1,884,282 | - |
| REAP | 58,323 | - | - | - |
| Debt service | - | - | - | - |
| Other purposes | 285,625 | 914 | - | - |
| Unassigned | 1,200,145 | - | - | - |
| Total fund balances | 2,221,705 | 914 | 2,153,176 | 315,509 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 4,218,550 | 89,081 | 2,274,052 | 999,038 |

See notes to financial statements.

| Debt Service | Nonmajor | Total |
|---|---|---|
| 27,008 | 354,053 | 4,160,487 |
| | | |
| 1,657 | - | 5,447 |
| 881,000 | - | 3,562,000 |
| - | - | 17,146 |
| - | - | 32,916 |
| - | - | 996 |
| - | 29,520 | 606,965 |
| - | - | 265,094 |
| - | - | 222,908 |
| 909,665 | 383,573 | 8,873,959 |
| | | |
| - | 2,758 | 154,053 |
| - | - | 8,878 |
| - | 2,065 | 23,400 |
| - | 4,823 | 186,331 |
| | | |
| 881,000 | - | 3,562,000 |
| 1,657 | - | 28,566 |
| 882,657 | - | 3,590,566 |
| | | |
| - | - | 265,094 |
| - | - | 222,908 |
| | | |
| - | - | 458,504 |
| - | - | 315,509 |
| - | - | 1,884,282 |
| - | - | 58,323 |
| 27,008 | - | 27,008 |
| - | 378,868 | 665,407 |
| - | (118) | 1,200,027 |
| 27,008 | 378,750 | 5,097,062 |
| 909,665 | 383,573 | 8,873,959 |

**Taylor County**

Taylor County

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

June 30, 2016

| | | |
|---|---|---|
| **Total governmental fund balances (page 21)** | | $ 5,097,062 |
| ***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 $37,215,397 and the accumulated depreciation is $14,381,242. | | 22,834,155 |
| 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. | | 28,566 |
| 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 | $ 347,737 | |
| Deferred inflows of resources | (254,570) | 93,167 |
| Long-term liabilities, including the general obligation bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. | | (8,838,942) |
| **Net position of governmental activities (page 18)** | | $ 19,214,008 |

See notes to financial statements.

Taylor County

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

Year ended June 30, 2016

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Mental Health | Secondary Roads | Rural Services |
| Revenues: | | | | |
| Property and other county tax | $ 1,861,351 | 130,087 | - | 700,899 |
| Local option sales tax | - | - | - | 75,814 |
| Interest and penalty on property tax | 30,783 | - | - | - |
| Intergovernmental | 1,454,371 | 11,481 | 3,523,626 | 54,947 |
| Licenses and permits | - | - | 2,299 | 3,998 |
| Charges for service | 210,215 | - | - | 1,765 |
| Use of money and property | 42,390 | - | - | - |
| Miscellaneous | 31,226 | - | 116,999 | 20,411 |
| Total revenues | 3,630,336 | 141,568 | 3,642,924 | 857,834 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,391,471 | - | - | 23,069 |
| Physical health and social services | 908,709 | - | - | 76,405 |
| Mental health | - | 141,450 | - | - |
| County environment and education | 271,147 | - | - | 32,637 |
| Roads and transportation | - | - | 3,021,454 | 30,000 |
| Governmental services to residents | 336,769 | - | - | 2,659 |
| Administration | 664,030 | - | - | - |
| Debt service | - | - | 235,565 | - |
| Capital projects | - | - | 533,342 | - |
| Total expenditures | 3,572,126 | 141,450 | 3,790,361 | 164,770 |
| Excess (deficiency) of revenues over (under) expenditures | 58,210 | 118 | (147,437) | 693,064 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 1,850 | - | - | - |
| Transfers in | - | - | 797,881 | - |
| Transfers out | (54,872) | - | - | (743,009) |
| Total other financing sources (uses) | (53,022) | - | 797,881 | (743,009) |
| Change in fund balances | 5,188 | 118 | 650,444 | (49,945) |
| Fund balances beginning of year | 2,216,517 | 796 | 1,502,732 | 365,454 |
| Fund balances end of year | $ 2,221,705 | 914 | 2,153,176 | 315,509 |

See notes to financial statements.

| Debt Service | Nonmajor | Total |
|---|---|---|
| 879,711 | - | 3,572,048 |
| - | 140,799 | 216,613 |
| - | - | 30,783 |
| 77,609 | 92,890 | 5,214,924 |
| - | - | 6,297 |
| - | 1,382 | 213,362 |
| - | 11,448 | 53,838 |
| - | 24,067 | 192,703 |
| 957,320 | 270,586 | 9,500,568 |
| | | |
| - | 112,285 | 1,526,825 |
| - | - | 985,114 |
| - | - | 141,450 |
| - | 113,911 | 417,695 |
| - | - | 3,051,454 |
| - | 1,361 | 340,789 |
| - | 21,798 | 685,828 |
| 949,065 | - | 1,184,630 |
| - | 958,090 | 1,491,432 |
| 949,065 | 1,207,445 | 9,825,217 |
| 8,255 | (936,859) | (324,649) |
| - | - | 1,850 |
| - | - | 797,881 |
| - | - | (797,881) |
| - | - | 1,850 |
| 8,255 | (936,859) | (322,799) |
| 18,753 | 1,315,609 | 5,419,861 |
| 27,008 | 378,750 | 5,097,062 |

# Taylor County

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

### Year ended June 30, 2016

| | | |
|---|---|---|
| **Change in fund balances - Total governmental funds (page 25)** | | |
| ***Amounts reported for governmental activities in the Statement of Activities are different because:*** | | $ (322,799) |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows: | | |
| Expenditures for capital assets | $ 1,602,437 | |
| Depreciation expense | (1,841,463) | (239,026) |
| 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. | | 21,800 |
| 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 | (89) | |
| Other | 5,401 | 5,312 |
| 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. | | 1,074,716 |
| The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. | | 258,288 |
| 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 | (19,445) | |
| Other postemployment benefits | (8) | |
| Pension expense | (123,643) | |
| Interest on long-term debt | 4,637 | (138,459) |
| **Change in net position of governmental activities (page 19)** | | $ 659,832 |

See notes to financial statements.

Taylor County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

| | |
|---|---|
| **Assets** | |
| Cash and pooled investments: | |
| County Treasurer | $ 601,109 |
| Other County officials | 8,569 |
| Receivables: | |
| Property tax: | |
| Delinquent | 17,502 |
| Succeeding year | 6,192,000 |
| Due from other governments | 18,547 |
| Prepaid items | 6,636 |
| **Total assets** | 6,844,363 |
| **Liabilities** | |
| Accounts payable | 7,876 |
| Salaries and benefits payable | 669 |
| Due to other governments | 6,827,947 |
| Trusts payable | 369 |
| Compensated absences | 7,502 |
| **Total liabilities** | 6,844,363 |
| **Net position** | $ - |

See notes to financial statements.

## (1) Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Taylor County Assessor's Conference Board and Taylor 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: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), South Iowa Area Crime Commission, Innovative Industries Sheltered Workshop, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources 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 Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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 and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at 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 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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, compensatory time 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, 2016. 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 applicable 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 applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists 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 IPERS' investments.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## (2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

## (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

| Transfer to | Transfer from | Amount |
|---|---|---|
| Special Revenue: | | |
| Secondary Roads | General | $ 54,872 |
| | Special Revenue: | |
| | Rural Services | 743,009 |
| Total | | $ 797,881 |

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

## (4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 891,709 | - | - | 891,709 |
| Construction in progress | 2,919,155 | 1,452,499 | (3,776,749) | 594,905 |
| Total capital assets not being depreciated | 3,810,864 | 1,452,499 | (3,776,749) | 1,486,614 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,231,008 | 3,776,749 | - | 5,007,757 |
| Improvements other than buildings | 238,151 | - | - | 238,151 |
| Equipment and vehicles | 4,884,117 | 184,938 | (115,501) | 4,953,554 |
| Infrastructure, road network | 25,529,321 | - | - | 25,529,321 |
| Total capital assets being depreciated | 31,882,597 | 3,961,687 | (115,501) | 35,728,783 |
| Less accumulated depreciation for: | | | | |
| Buildings | 972,317 | 92,853 | - | 1,065,170 |
| Improvements other than buildings | 42,867 | 4,763 | - | 47,630 |
| Equipment and vehicles | 3,450,361 | 374,765 | (102,301) | 3,722,825 |
| Infrastructure, road network | 8,176,535 | 1,369,082 | - | 9,545,617 |
| Total accumulated depreciation | 12,642,080 | 1,841,463 | (102,301) | 14,381,242 |
| Total capital assets being depreciated, net | 19,240,517 | 2,120,224 | (13,200) | 21,347,541 |
| Governmental activities capital assets, net | $ 23,051,381 | 3,572,723 | (3,789,949) | 22,834,155 |

Depreciation expense was charged to the following functions:

| | |
|---|---|
| Governmental activities: | |
| Public safety and legal services | $ 292,277 |
| Physical health and social services | 21,268 |
| County environment and education | 11,327 |
| Roads and transportation | 1,495,709 |
| Administration | 20,882 |
| Total depreciation expense - governmental activities | $ 1,841,463 |

## (5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

| Fund | Description | Amount |
|---|---|---|
| General | Services | $ 16,747 |
| Special Revenue: | | |
| Secondary Roads | Services | 4,588 |
| Preschool Building | Services | 2,065 |
| Total for governmental funds | | $ 23,400 |
| Agency: | | |
| County Assessor | Collections | $ 385,332 |
| Schools | | 4,505,743 |
| Community Colleges | | 283,186 |
| Corporations | | 1,134,474 |
| Townships | | 149,579 |
| All other | | 369,633 |
| Total for agency funds | | $ 6,827,947 |

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

| | Install-ment Purchase Agreement | General Obligation Capital Loan Notes | General Obligation Bonds | Compen-sated Absences | Net Pension Liability | Net OPEB Liability | Total |
|---|---|---|---|---|---|---|---|
| Balance beginning of year | $ 24,422 | 230,294 | 7,845,000 | 224,744 | 1,189,881 | 33,200 | 9,547,541 |
| Increases | - | - | - | 245,100 | 341,754 | 45,017 | 631,871 |
| Decreases | 24,422 | 230,294 | 820,000 | 225,655 | - | 45,009 | 1,345,380 |
| Balance end of year | $ - | - | 7,025,000 | 244,189 | 1,531,635 | 33,208 | 8,834,032 |
| Due within one year | $ - | - | 830,000 | 117,770 | - | - | - |

### General Obligation Bonds

A summary of the County's June 30, 2016 general obligation bond indebtedness is as follows:

| Year Ending June 30, | Series 2012 County Road Reconstruction and Improvement Issued March 9, 2012 Interest Rates | Principal | Interest | Total |
|---|---|---|---|---|
| 2017 | 0.90% | $ 595,000 | 51,735 | 646,735 |
| 2018 | 1.10 | 600,000 | 46,380 | 646,380 |
| 2019 | 1.30 | 605,000 | 39,780 | 644,780 |
| 2020 | 1.50 | 615,000 | 31,915 | 646,915 |
| 2021 | 1.70 | 625,000 | 22,690 | 647,690 |
| 2022 | 1.90 | 635,000 | 12,064 | 647,064 |
| Total | | $ 3,675,000 | 204,564 | 3,879,564 |

| Year | Series 2014 County Law Enforcement Facility Issued March 28, 2014 | | | | Total | | |
|---|---|---|---|---|---|---|---|
| Ending June 30, | Interest Rates | Principal | Interest | Total | Principal | Interest | Total |
| 2017 | 0.65% | $ 235,000 | 71,870 | 306,870 | 830,000 | 123,605 | 953,605 |
| 2018 | 0.95 | 235,000 | 70,343 | 305,343 | 835,000 | 116,723 | 951,723 |
| 2019 | 1.25 | 235,000 | 68,110 | 303,110 | 840,000 | 107,890 | 947,890 |
| 2020 | 1.50 | 240,000 | 65,173 | 305,173 | 855,000 | 97,088 | 952,088 |
| 2021 | 1.85 | 255,000 | 61,572 | 316,572 | 880,000 | 84,262 | 964,262 |
| 2022-2026 | 2.15-2.70 | 1,290,000 | 227,092 | 1,517,092 | 1,925,000 | 239,156 | 2,164,156 |
| 2027-2029 | 2.85-3.10 | 860,000 | 52,515 | 912,515 | 860,000 | 52,515 | 912,515 |
| Total | | $ 3,350,000 | 616,675 | 3,966,675 | 7,025,000 | 821,239 | 7,846,239 |

During the year ended June 30, 2016, the County retired $820,000 of general obligation bond principal.

## (7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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, PO 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally 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 more than 22 years of service 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.

<u>Disability and Death Benefits</u> - 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.

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriffs, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were $258,288.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> - At June 30, 2016, the County reported a liability of $1,531,635 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the County's proportion was 0.031002%, which was an increase of 0.001% from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $123,643. At June 30, 2016, 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 | $ | 23,055 | 15,395 |
| Changes of assumptions | | 42,013 | 10,759 |
| Net difference between projected and actual earnings on IPERS' investments | | - | 167,357 |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | | 24,381 | 61,059 |
| County contributions subsequent to the measurement date | | 258,288 | - |
| Total | $ | 347,737 | 254,570 |

$258,288 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, 2017. 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 |
|---|---|---|
| 2017 | $ | (80,730) |
| 2018 | | (80,730) |
| 2019 | | (80,730) |
| 2020 | | 77,020 |
| 2021 | | 49 |
| Total | $ | (165,121) |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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. |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2015 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 |
|---|---|---|
| Core plus fixed income | 28% | 2.04% |
| Domestic equity | 24 | 6.29 |
| International equity | 16 | 6.75 |
| Private equity/debt | 11 | 11.32 |
| Real estate | 8 | 3.48 |
| Credit opportunities | 5 | 3.63 |
| U.S. TIPS | 5 | 1.91 |
| Other real assets | 2 | 6.24 |
| Cash | 1 | (0.71) |
| Total | 100% | |

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

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 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 | $ 3,035,806 | 1,531,635 | 263,219 |

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, 2016, the County reported payables to IPERS of $731 for legally required County contributions and $487 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(8) 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 46 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | |
|---|---|
| Annual required contribution | $ 45,009 |
| Interest on net OPEB obligation | 1,328 |
| Adjustment to annual required contribution | (1,320) |
| Annual OPEB cost | 45,017 |
| Contributions made | (45,009) |
| Increase in net OPEB obligation | 8 |
| Net OPEB obligation beginning of year | 33,200 |
| Net OPEB obligation end of year | $ 33,208 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed $45,009 to the medical plan and there were no contributions from plan members eligible for benefits.

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 |
|---|---|---|---|
| 2014 | $ 24,711 | 99.5% | $33,140 |
| 2015 | 24,640 | 99.8 | 33,200 |
| 2016 | 45,017 | 100.0 | 33,208 |

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately $389,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $389,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,403,000 and the ratio of the UAAL to covered payroll was 16.2%. As of June 30, 2016, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

Projected claim costs of the medical plan are $1,308 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2016 were $152,050.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $2,000,000 and $20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## (10) Southern Iowa Rural Water Association (SIRWA) Agreement

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan for $500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Taylor County's share of the debt was 12.5%, or $62,500. Each participant was required to establish a SIRWA Grid Sinking Reserve Fund and appropriate to the fund from the County's General Fund sufficient funds to pay the principal and interest on the loan. The County established the Special Revenue, SIRWA Grid Sinking Reserve Fund and transferred $62,500 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before determining the disposition of the balance in the SIRWA Grid Sinking Reserve Fund.

## (11) Taylor County Financial Information Included in the Southern Hills Mental Health Region

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Adair County, Adams County, Union County and Taylor County. The financial activity of Taylor County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2016, as follows:

| | |
|---|---|
| Revenues: | |
| Property and other county tax | $ 130,087 |
| Intergovernmental: | |
| State tax credits | 11,481 |
| Total revenues | 141,568 |
| Expenditures: | |
| Distribution to regional fiscal agent | 141,450 |
| Excess of revenues over expenditures | 118 |
| Fund balance beginning of year | 796 |
| Fund balance end of year | $ 914 |

## (12) Deficit Balance

The Special Revenue, Preschool Building Fund had a deficit balance of $118 at June 30, 2016. The deficit balance was a result of the preschool building being sold later than anticipated. The deficit will be eliminated when the building is sold in fiscal year 2017.

## (13) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements

## Required Supplementary Information

Taylor 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, 2016

| | | Actual | Budgeted Original |
|---|---|---|---|
| Receipts: | | | |
| Property and other county tax | $ | 3,777,951 | 3,763,118 |
| Interest and penalty on property tax | | 30,955 | 4,510 |
| Intergovernmental | | 5,010,218 | 5,093,439 |
| Licenses and permits | | 6,330 | 14,731 |
| Charges for service | | 212,283 | 190,525 |
| Use of money and property | | 53,754 | 49,467 |
| Miscellaneous | | 226,582 | 101,235 |
| Total receipts | | 9,318,073 | 9,217,025 |
| Disbursements: | | | |
| Public safety and legal services | | 1,555,399 | 1,654,827 |
| Physical health and social services | | 1,014,036 | 1,162,310 |
| Mental health | | 141,450 | 152,707 |
| County environment and education | | 386,520 | 310,724 |
| Roads and transportation | | 3,106,397 | 3,425,000 |
| Governmental services to residents | | 340,696 | 362,343 |
| Administration | | 692,602 | 730,823 |
| Debt service | | 1,209,052 | 1,034,360 |
| Capital projects | | 1,533,930 | 2,242,206 |
| Total disbursements | | 9,980,082 | 11,075,300 |
| Excess (deficiency) of receipts over (under) disbursements | | (662,009) | (1,858,275) |
| Other financing sources, net | | 1,850 | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | | (660,159) | (1,858,275) |
| Balance beginning of year | | 4,820,646 | 4,167,899 |
| Balance end of year | $ | 4,160,487 | 2,309,624 |

See accompanying independent auditor’s report.

| Amounts | Final to Actual |
| --- | --- |
| Final | Variance |
| | |
| 3,763,118 | 14,833 |
| 4,510 | 26,445 |
| 5,238,922 | (228,704) |
| 14,731 | (8,401) |
| 194,430 | 17,853 |
| 49,467 | 4,287 |
| 101,284 | 125,298 |
| 9,366,462 | (48,389) |
| | |
| 1,793,918 | 238,519 |
| 1,237,456 | 223,420 |
| 152,707 | 11,257 |
| 412,124 | 25,604 |
| 3,247,000 | 140,603 |
| 363,843 | 23,147 |
| 742,823 | 50,221 |
| 1,212,488 | 3,436 |
| 2,176,890 | 642,960 |
| 11,339,249 | 1,359,167 |
| (1,972,787) | 1,310,778 |
| - | 1,850 |
| | |
| (1,972,787) | 1,312,628 |
| 4,167,899 | 652,747 |
| 2,195,112 | 1,965,375 |

Taylor County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

| | Governmental Funds | | |
|---|---|---|---|
| | Cash Basis | Accrual Adjust-ments | Modified Accrual Basis |
| Revenues | $ 9,318,073 | 182,495 | 9,500,568 |
| Expenditures | 9,980,082 | (154,865) | 9,825,217 |
| Net | (662,009) | 337,360 | (324,649) |
| Other financing sources, net | 1,850 | - | 1,850 |
| Beginning fund balances | 4,820,646 | 599,215 | 5,419,861 |
| Ending fund balances | $ 4,160,487 | 936,575 | 5,097,062 |

See accompanying independent auditor's report.

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by $263,949. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted by function.

**Taylor County**

Taylor County

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

Iowa Public Employees’ Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

| | 2016 | 2015 |
|---|---|---|
| County's collective proportion of the net pension liability (asset) | 0.031002% | 0.030002% |
| County's collective proportionate share of the net pension liability (asset) | $ 1,532 | 1,190 |
| County's covered-employee payroll | $ 2,672 | 2,602 |
| County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll | 57.34% | 45.73% |
| Plan fiduciary net position as a percentage of the total pension liability | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor’s report.

Taylor County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Nine Years
(In Thousands)

Required Supplementary Information

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Statutorily required contribution | $ 258 | 242 | 237 | 227 |
| Contributions in relation to the statutorily required contribution | (258) | (242) | (237) | (227) |
| Contribution deficiency (excess) | $ - | - | - | - |
| County's covered-employee payroll | $ 2,846 | 2,672 | 2,602 | 2,543 |
| Contributions as a percentage of covered-employee payroll | 9.07% | 9.06% | 9.11% | 8.93% |

See accompanying independent auditor's report.

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

| | | | | |
|---|---|---|---|---|
| 2012 | 2011 | 2010 | 2009 | 2008 |
| 201 | 173 | 160 | 167 | 139 |
| (201) | (173) | (160) | (167) | (139) |
| - | - | - | - | - |
| 2,391 | 2,366 | 2,324 | 2,340 | 2,263 |
| 8.41% | 7.31% | 6.88% | 7.14% | 6.14% |

*Changes of benefit terms*:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

*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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Taylor County

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

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|
| 2010 | Jul 1, 2009 | - | $ 242 | 242 | 0.0% | $ 2,168 | 11.2% |
| 2011 | Jul 1, 2009 | - | 242 | 242 | 0.0 | 2,409 | 10.0 |
| 2012 | Jul 1, 2009 | - | 242 | 242 | 0.0 | 2,456 | 9.9 |
| 2013 | Jul 1, 2012 | - | 173 | 173 | 0.0 | 2,275 | 7.6 |
| 2014 | Jul 1, 2012 | - | 173 | 173 | 0.0 | 2,375 | 7.3 |
| 2015 | Jul 1, 2012 | - | 173 | 173 | 0.0 | 2,391 | 7.2 |
| 2016 | Jul 1, 2015 | - | 389 | 389 | 0.0 | 2,403 | 16.2 |

See Note 8 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.

**Taylor County**

## Supplementary Information

Taylor County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

| | | Special | | |
|---|---|---|---|---|
| | | County Recorder's Records Management | Forfeitures | Preschool Building |
| **Assets** | | | | |
| Cash and pooled investments | $ | 4,684 | 43,688 | 2,207 |
| Due from other governments | | - | - | - |
| **Total assets** | $ | 4,684 | 43,688 | 2,207 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ | - | 386 | 260 |
| Due to other governments | | - | - | 2,065 |
| Total liabilities | | - | 386 | 2,325 |
| Fund balances: | | | | |
| Restricted for other purposes | | 4,684 | 43,302 | - |
| Unassigned | | - | - | (118) |
| Total fund balances | | 4,684 | 43,302 | (118) |
| **Total liabilities and fund balances** | $ | 4,684 | 43,688 | 2,207 |

See accompanying independent auditor's report.

| Revenue | | | |
|---|---|---|---|
| Local Option Sales Tax | SIRWA Grid Sinking Reserve | Capital Projects | Total |
| 240,974 | 62,500 | - | 354,053 |
| 29,520 | - | - | 29,520 |
| 270,494 | 62,500 | - | 383,573 |
| 2,112 | - | - | 2,758 |
| - | - | - | 2,065 |
| 2,112 | - | - | 4,823 |
| 268,382 | 62,500 | - | 378,868 |
| - | - | - | (118) |
| 268,382 | 62,500 | - | 378,750 |
| 270,494 | 62,500 | - | 383,573 |

Taylor County

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

Year ended June 30, 2016

| | Special | | |
|---|---|---|---|
| | County Recorder's Records Management | Forfeitures | Preschool Building |
| Revenues: | | | |
| Local option sales tax | $ - | - | - |
| Intergovernmental | - | 92,890 | - |
| Charges for service | 1,382 | - | - |
| Use of money and property | - | - | 10,200 |
| Miscellaneous | - | 8,250 | 158 |
| Total revenues | 1,382 | 101,140 | 10,358 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | - | 112,285 | - |
| County environment and education | - | - | - |
| Governmental services to residents | 1,361 | - | - |
| Administration | - | - | 21,798 |
| Capital projects | - | - | - |
| Total expenditures | 1,361 | 112,285 | 21,798 |
| Excess (deficiency) of revenues over (under) expenditures | 21 | (11,145) | (11,440) |
| Fund balances beginning of year | 4,663 | 54,447 | 11,322 |
| Fund balances end of year | $ 4,684 | 43,302 | (118) |

See accompanying independent auditor's report.

| Revenue | | | |
|---|---|---|---|
| Local Option Sales Tax | SIRWA Grid Sinking Reserve | Capital Projects | Total |
| 140,799 | - | - | 140,799 |
| - | - | - | 92,890 |
| - | - | - | 1,382 |
| - | - | 1,248 | 11,448 |
| 2,144 | - | 13,515 | 24,067 |
| 142,943 | - | 14,763 | 270,586 |
| | | | |
| - | - | - | 112,285 |
| 113,911 | - | - | 113,911 |
| - | - | - | 1,361 |
| - | - | - | 21,798 |
| - | - | 958,090 | 958,090 |
| 113,911 | - | 958,090 | 1,207,445 |
| 29,032 | - | (943,327) | (936,859) |
| 239,350 | 62,500 | 943,327 | 1,315,609 |
| 268,382 | 62,500 | - | 378,750 |

Taylor County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

| | | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and pooled investments: | | | | | | |
| County Treasurer | $ | - | 1,750 | 239,680 | 78,965 | 4,661 |
| Other County officials | | 8,569 | - | - | - | - |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Delinquent | | - | 180 | 279 | 7,778 | 525 |
| Succeeding year | | - | 95,000 | 148,000 | 4,419,000 | 278,000 |
| Due from other governments | | - | - | - | - | - |
| Prepaid items | | - | - | 5,855 | - | - |
| **Total assets** | $ | 8,569 | 96,930 | 393,814 | 4,505,743 | 283,186 |
| **Liabilities** | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | $ | 1,039 | - | 980 | - | - |
| Salaries and benefits payable | | - | - | - | - | - |
| Due to other governments | | 7,161 | 96,930 | 385,332 | 4,505,743 | 283,186 |
| Trusts payable | | 369 | - | - | - | - |
| Compensated absences | | - | - | 7,502 | - | - |
| **Total liabilities** | $ | 8,569 | 96,930 | 393,814 | 4,505,743 | 283,186 |

See accompanying independent auditor's report.

| Corpor-ations | Townships | Auto License and Use Tax | Other | Total |
|---|---|---|---|---|
| | | | | |
| 21,738 | 2,575 | 136,537 | 115,203 | 601,109 |
| - | - | - | - | 8,569 |
| | | | | |
| 8,736 | 4 | - | - | 17,502 |
| 1,104,000 | 147,000 | - | 1,000 | 6,192,000 |
| - | - | - | 18,547 | 18,547 |
| - | - | - | 781 | 6,636 |
| 1,134,474 | 149,579 | 136,537 | 135,531 | 6,844,363 |
| | | | | |
| - | - | - | 5,857 | 7,876 |
| - | - | - | 669 | 669 |
| 1,134,474 | 149,579 | 136,537 | 129,005 | 6,827,947 |
| - | - | - | - | 369 |
| - | - | - | - | 7,502 |
| 1,134,474 | 149,579 | 136,537 | 135,531 | 6,844,363 |

Taylor County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|---|---|---|---|---|---|
| **Assets and Liabilities** | | | | | |
| Balances beginning of year | $ 5,693 | 91,681 | 383,767 | 4,244,085 | 243,462 |
| Additions: | | | | | |
| Property and other county tax | - | 95,439 | 148,857 | 4,446,717 | 279,895 |
| E-911 surcharge | - | - | - | - | - |
| State tax credits | - | 7,980 | 13,579 | 370,482 | 21,254 |
| Office fees and collections | 130,770 | - | - | - | - |
| Electronic transaction fees | - | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Drivers license fees | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 34,266 | - | - | - | - |
| Miscellaneous | 18,281 | - | 1,344 | - | - |
| Total additions | 183,317 | 103,419 | 163,780 | 4,817,199 | 301,149 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 77,612 | - | - | - | - |
| To other governments | 68,554 | 98,170 | 153,733 | 4,555,541 | 261,425 |
| Trusts paid out | 34,275 | - | - | - | - |
| Total deductions | 180,441 | 98,170 | 153,733 | 4,555,541 | 261,425 |
| Balances end of year | $ 8,569 | 96,930 | 393,814 | 4,505,743 | 283,186 |

See accompanying independent auditor's report.

| Corpora-tions | Townships | Auto License and Use Tax | Other | Total |
|---|---|---|---|---|
| 1,094,439 | 130,294 | 125,514 | 146,729 | 6,465,664 |
| 1,032,967 | 150,423 | - | 987 | 6,155,285 |
| - | - | - | 47,185 | 47,185 |
| 189,626 | 8,084 | - | 88 | 611,093 |
| - | - | - | - | 130,770 |
| - | - | - | 1,375 | 1,375 |
| - | - | 1,833,418 | - | 1,833,418 |
| - | - | 27,359 | - | 27,359 |
| - | - | - | 9,992 | 9,992 |
| - | - | - | 84,191 | 118,457 |
| - | - | - | 78,864 | 98,489 |
| 1,222,593 | 158,507 | 1,860,777 | 222,682 | 9,033,423 |
| - | - | 96,443 | - | 174,055 |
| 1,182,558 | 139,222 | 1,753,311 | 174,604 | 8,387,118 |
| - | - | - | 59,276 | 93,551 |
| 1,182,558 | 139,222 | 1,849,754 | 233,880 | 8,654,724 |
| 1,134,474 | 149,579 | 136,537 | 135,531 | 6,844,363 |

Taylor County

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

For the Last Ten Years

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Revenues: | | | | |
| Property and other county tax | $ 3,572,048 | 3,553,111 | 3,202,539 | 3,144,805 |
| Local option sales tax | 216,613 | 199,132 | 174,982 | 197,786 |
| Interest and penalty on property tax | 30,783 | 32,793 | 36,407 | 34,621 |
| Intergovernmental | 5,214,924 | 4,476,827 | 4,390,596 | 4,325,426 |
| Licenses and permits | 6,297 | 13,673 | 11,376 | 18,211 |
| Charges for service | 213,362 | 226,729 | 254,164 | 218,298 |
| Use of money and property | 53,838 | 83,608 | 69,648 | 42,206 |
| Miscellaneous | 192,703 | 222,099 | 212,779 | 243,752 |
| Total | $ 9,500,568 | 8,807,972 | 8,352,491 | 8,225,105 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | $ 1,526,825 | 1,251,207 | 1,240,341 | 972,594 |
| Physical health and social services | 985,114 | 1,019,411 | 1,029,654 | 978,082 |
| Mental health | 141,450 | 146,341 | 220,261 | 411,244 |
| County environment and education | 417,695 | 183,274 | 332,326 | 265,601 |
| Roads and transportation | 3,051,454 | 3,131,219 | 3,420,299 | 3,048,635 |
| Governmental services to residents | 340,789 | 333,788 | 314,675 | 382,556 |
| Administration | 685,828 | 681,521 | 645,329 | 612,607 |
| Debt service | 1,184,630 | 1,011,973 | 730,759 | 839,551 |
| Capital projects | 1,491,432 | 3,121,078 | 742,959 | 2,500,535 |
| Total | $ 9,825,217 | 10,879,812 | 8,676,603 | 10,011,405 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|---|---|---|---|---|---|
| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| 2,625,373 | 2,538,207 | 2,475,724 | 2,432,311 | 2,265,195 | 2,194,279 |
| 223,876 | 206,378 | 178,685 | 172,166 | 163,656 | 175,482 |
| 30,172 | 31,208 | 33,505 | 31,213 | 29,623 | 28,502 |
| 4,018,382 | 3,978,151 | 3,699,525 | 3,539,127 | 3,868,432 | 3,421,429 |
| 14,991 | 15,361 | 14,647 | 7,378 | 9,771 | 10,906 |
| 181,998 | 176,801 | 162,884 | 140,161 | 158,056 | 159,972 |
| 81,394 | 67,272 | 67,190 | 83,731 | 101,420 | 112,461 |
| 375,840 | 147,965 | 119,191 | 110,727 | 166,773 | 158,004 |
| 7,552,026 | 7,161,343 | 6,751,351 | 6,516,814 | 6,762,926 | 6,261,035 |
| | | | | | |
| 861,724 | 818,628 | 790,102 | 770,502 | 699,623 | 670,809 |
| 1,001,890 | 954,126 | 888,046 | 895,522 | 926,405 | 915,733 |
| 661,178 | 511,893 | 512,736 | 475,259 | 578,073 | 599,619 |
| 634,221 | 192,113 | 267,342 | 167,562 | 262,597 | 172,061 |
| 3,018,866 | 3,086,672 | 2,967,517 | 2,613,123 | 3,103,584 | 2,668,989 |
| 299,745 | 285,559 | 272,421 | 264,705 | 241,462 | 231,877 |
| 594,981 | 584,532 | 570,507 | 571,514 | 565,113 | 530,755 |
| 197,356 | 208,634 | 200,911 | 204,867 | 173,987 | 89,578 |
| 3,912,468 | 495,022 | 126,421 | 19,507 | 613,520 | 520,176 |
| 11,182,429 | 7,137,179 | 6,596,003 | 5,982,561 | 7,164,364 | 6,399,597 |

**Taylor County**

**OFFICE OF AUDITOR OF STATE**

STATE OF IOWA

State Capitol Building

Des Moines, Iowa 50319-0006

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Mary Mosiman, CPA

Auditor of State

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 Taylor 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 Taylor County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governace.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylor 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 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.

Taylor County's Responses to the Findings

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

MARY MOSIMAN, CPA
Auditor of State

December 5, 2016

## Finding Related to the Financial Statements:

### INTERNAL CONTROL DEFICIENCIES:

**(A) Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the County Recorder's Office may have control over the following areas for which no compensating controls exist:

(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

(2) The individual who signs checks is not independent of the individual who approves disbursements, handles petty cash, records cash receipts and prepares checks.

Cause – The County office noted above has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Recorder should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We are limited to our options because of our low workforce, but we will attempt to segregate duties as much as possible.

Conclusion – Response accepted.

**(B) Financial Reporting**

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables 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.

Cause – Although County policies and procedures require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable, certain Secondary Roads Department receivables were not initially reported.

Effect – The errors were not identified by County employees during the normal course of their review. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should ensure all receivables are identified and properly reported in the County's financial statements.

Response – The County will do its best to ensure all receivables are identified and properly reported in the County's financial statements.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Findings Related to Required Statutory Reporting:**

(1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the county environment and education function prior to adoption of a budget amendment.

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.

Response – We will watch for this in the future.

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 Expenses – 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 |
|---|---|---|
| Lori Hughes, Deputy Recorder, spouse is the County Auditor's brother and owns Hughes Feed and Supply | Corrugated pipe and miscellaneous items | $ 26,858 |
| Josh Weed, County Sheriff, owns Hawn Sanitation | Garbage and sanitation services and rental | 2,110 |

These transactions may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the transactions with each individual were greater than $1,500 during the fiscal year and were not competitively bid.

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

Response – We want to keep our services to Taylor County residents. There is no direct correlation between Taylor County's employees and the services.

Conclusion – Response acknowledged. The Board of Supervisors should consult legal counsel regarding transactions with related parties and the provisions of Chapter 331.342 of the Code of Iowa.

(5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed 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 Chapter 12B and Chapter 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, 2016 for the County Extension Office did not exceed the amount budgeted.

(10) Financial Condition – The Special Revenue, Preschool Building Fund had a deficit fund balance of $118 at June 30, 2016.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – The deficit was the accrual balance only. The cash balance never had a deficit fund balance. No check was written until there was cash to pay for it. The Preschool Building was to be sold on July 1st but the paperwork was not done and finalized until July 12, 2016. No alternatives will be needed to eliminate the deficit fund balance for next year.

Conclusion – Response accepted.

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Trent M. Mussmann, Senior Auditor
Ian N. Judson, Assistant Auditor
Rachel E. Sigmon, Auditor Intern

Andrew E. Nielsen, CPA
Deputy Auditor of State