

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 2, 2017

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515/281-5834

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

The County had local tax revenue of \$10,783,839 for the year ended June 30, 2016 which included \$935,488 in tax credits from the state. The County forwarded \$7,336,966 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,446,873 of the local tax revenue to finance County operations, a 21.9% increase over the prior year. Other revenues included charges for service of \$906,020, operating grants, contributions and restricted interest of \$3,787,751, capital grants, contributions and restricted interest of \$3,020,241, local option sales tax of \$259,671, unrestricted investment earnings of \$7,164 and other general revenues of \$373,632.

Expenses for County operations for the year ended June 30, 2016 totaled \$8,896,843, a 6.8% increase over the prior year. Expenses included \$4,686,114 for roads and transportation, \$1,484,683 for public safety and legal services and \$802,613 for administrative 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/1610-0027-B00F>.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-7
Management’s Discussion and Analysis	9-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 23
Statement of Revenues, Expenditures and Changes in Fund Balances	E 24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 26
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G 27
Notes to Financial Statements	29-48
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	50-51
Budget to GAAP Reconciliation	53
Notes to Required Supplementary Information – Budgetary Reporting	54
Schedule of the County’s Proportionate Share of the Net Pension Liability	55
Schedule of County Contributions	56-57
Notes to Required Supplementary Information – Pension Liability	58
Schedule of Funding Progress for the Retiree Health Plan	59
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 64-65
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 66-67
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 68-69
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5 70-71
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	73-74
Schedule of Findings	75-86
Staff	87

Decatur County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. R. Cornett	Board of Supervisors	Jan 2017
Jim Fulton	Board of Supervisors	Jan 2017
Gary Boswell	Board of Supervisors	Jan 2019
Stephanie Daughton	County Auditor	Jan 2017
Beth Andrew	County Treasurer	(Resigned Oct 2016)
Kathy Martin (Appointed Oct 2016)	County Treasurer	Mar 2017
Gale Norman	County Recorder	Jan 2019
Herbert Muir	County Sheriff	(Resigned Mar 2016)
Ben Boswell (Appointed Mar 2016)	County Sheriff	Nov 2016
Lisa Hynden Jeanes	County Attorney	Jan 2019
Justin Cornett	County Assessor	Jan 2022

Decatur County



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Independent Auditor's Report

To the Officials of Decatur County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 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 Decatur 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 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (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 May 30, 2017 on our consideration of Decatur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Decatur County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

May 30, 2017

Decatur County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 24.5%, or approximately \$2,320,000, over fiscal year 2015 to fiscal year 2016. Program revenues increased approximately \$1,440,000 and property and other county tax increased approximately \$540,000.
- The County's governmental activities expenses increased 6.7%, or approximately \$562,000, over fiscal year 2015 to fiscal year 2016. Roads and transportation expenses increased 19.1%, or approximately \$752,000, and public safety and legal services expenses increased 28.4%, or approximately \$328,000. Administration services expenses increased 16.4%, or approximately \$113,000.
- The County's net position at June 30, 2016 increased approximately \$2,905,000 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 Decatur County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Decatur County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Decatur County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Decatur County's net position increased from approximately \$18.4 million to approximately \$21.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 7,382	7,554
Capital assets	23,517	19,842
Total assets	30,899	27,396
Deferred outflows of resources	436	480
Long-term liabilities	6,029	5,280
Other liabilities	399	258
Total liabilities	6,428	5,538
Deferred inflows of resources	3,639	3,975
Net position:		
Net investment in capital assets	19,948	17,640
Restricted	2,674	2,218
Unrestricted	(1,354)	(1,495)
Total net position	\$ 21,268	18,363

The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net position invested in capital assets increased approximately \$2,308,000, primarily due to infrastructure contributed by the Iowa Department of Transportation and the construction of a jail.

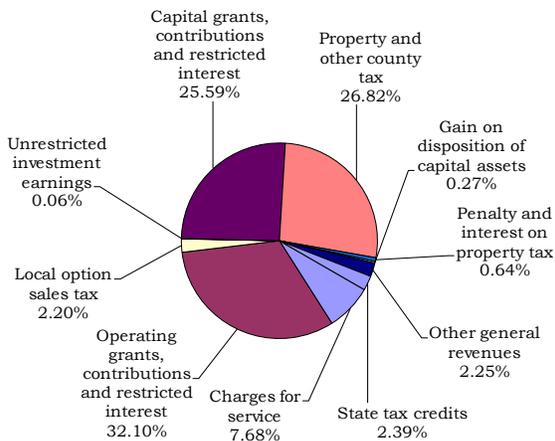
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased 20.6%, or approximately \$456,000, primarily due to increased net position restricted for rural services and mental health which increased approximately \$194,000 and \$112,000, respectively.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – increased from a deficit of approximately \$1,495,000 at June 30, 2015 to a deficit of approximately \$1,354,000 at the end of this year, an increase of 9.4%. The deficit is primarily due to the net pension liability.

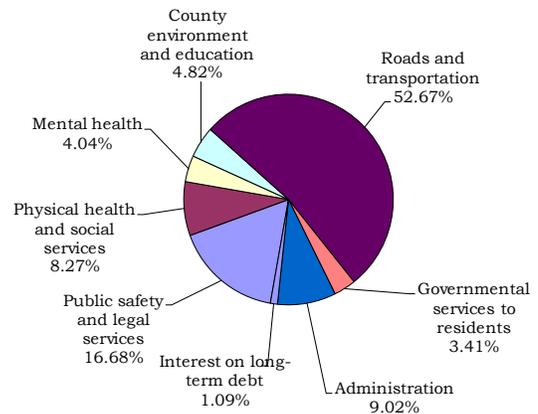
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 906	1,474
Operating grants, contributions and restricted interest	3,788	3,859
Capital grants, contributions and restricted interest	3,020	941
General revenues:		
Property and other county tax	3,165	2,625
Penalty and interest on property tax	76	76
State tax credits	282	204
Local option sales tax	260	239
Unrestricted investment earnings	7	6
Gain on disposition of capital assets	32	38
Other general revenues	265	19
Total revenues	11,801	9,481
Program expenses:		
Public safety and legal services	1,484	1,156
Physical health and social services	736	1,106
Mental health	359	603
County environment and education	429	492
Roads and transportation	4,686	3,934
Governmental services to residents	303	277
Administration	802	689
Non-program	-	2
Interest on long-term debt	97	75
Total expenses	8,896	8,334
Change in net position	2,905	1,147
Net position beginning of year	18,363	17,216
Net position end of year	\$ 21,268	18,363

Revenues by Source



Expenses by Function



Revenues for governmental activities totaled approximately \$11,801,000, an increase of 24.5% over the prior year. Property and other county tax revenues account for 26.8% of governmental activities revenues and increased approximately \$540,000 over the prior year. In fiscal year 2016, the urban tax rate was \$11.16752 per \$1,000 of taxable valuation compared to the fiscal year 2015 tax rate of \$9.36808 per \$1,000 of taxable valuation. The rural tax rate in fiscal year 2016 was \$15.10598 per \$1,000 of taxable valuation compared to the fiscal year 2015 tax rate of \$12.75053 per \$1,000 of taxable valuation.

Charges for service revenues decreased approximately \$568,000 primarily due to a payment received from the City of Leon in the prior year for work done by the County on a joint infrastructure project. Operating grants, contributions and restricted interest decreased approximately \$71,000. Capital grants contribution and restricted interest increased by \$2,079,000 due to contributed capital for secondary roads projects and the construction of a jail.

The cost of all governmental activities was approximately \$8.9 million for fiscal year 2016 compared to approximately \$8.3 million for fiscal year 2015. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was only approximately \$1,183,000 because some of the costs were paid by those directly benefited from the programs (approximately \$906,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,808,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$6,274,000 to approximately \$7,714,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,861,703, a decrease of \$776,008 from last year's total of \$3,637,711. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$262,000, or 8.5%, over the prior year while expenditures increased approximately \$285,000, or 8.3%, over the prior year. The ending fund balance decreased approximately \$38,000 from the prior year to approximately \$463,000.
- The Special Revenue, Mental Health Fund expenditures decreased approximately \$15,000, or 6.0%, from the prior year while revenues decreased approximately \$78,000, or 18.6%. The ending fund balance increased approximately \$112,000 over the prior year to approximately \$780,000.
- The Special Revenue, Rural Services Fund balance increased approximately \$194,000 from the prior balance of approximately \$81,000. This increase is primarily due to an increase in revenues of approximately \$124,000. Expenditures for the year increased approximately \$28,000 over the prior year of approximately \$242,000.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$144,000 over the prior year while revenues decreased approximately \$283,000. The decrease in revenues is primarily due to a reimbursement from the City of Leon received in the prior year for work done by the County on a joint infrastructure project. The Secondary Roads Fund balance at year end decreased approximately \$77,000, or 6.3%, to approximately \$1,135,000.

- The Capital Projects Fund had expenditures of approximately \$1,059,000 for engineering and construction costs related to the jail project. This was financed through proceeds of revenue bonds issued in the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in November 2015 and resulted in an increase in budgeted disbursements of \$780,631. The primary reason for this amendment was to reflect the increased cost of road maintenance. The second amendment was made in April 2016 and resulted in an increase in budgeted disbursements of \$785,695. The primary reason for this amendment was to reflect changes in budget allocations related to re-estimates of receipts and disbursements.

The County's receipts were \$541,724 less than budgeted, a variance of approximately 6.1%. Total disbursements were \$1,331,211, or 14%, less than the final amended budget. Mental health function disbursements were approximately \$863,000 less than the final budget due to mental health region costs being reported in a separate mental health region.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Decatur County had approximately \$23.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$3,675,000, or 18.5%, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 3,075	3,069
Construction in progress	2,480	2,187
Buildings and improvements	4,786	1,713
Equipment and vehicles	1,500	1,325
Intangibles	520	520
Infrastructure	11,156	11,028
Total	\$ 23,517	19,842

The County had depreciation expense of \$1,153,086 in fiscal year 2016 and total accumulated depreciation of \$9,431,358 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2016, Decatur County had approximately \$3,572,000 of outstanding debt, which included approximately \$81,000 of bank loan debt, \$300,000 of general obligation note debt, \$2,960,000 of revenue bond debt and \$231,000 of capital lease debt compared to total outstanding debt of approximately \$3,264,000 at June 30, 2015.

Outstanding Debt of Governmental Activities at Year-End		
(Expresses in Thousands)		
	June 30,	
	2016	2015
Bank loan	\$ 81	64
General obligation note	300	60
Revenue bonds	2,960	3,115
Capital lease purchase agreement	231	25
Total	<u>\$ 3,572</u>	<u>3,264</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.7% versus 3.9% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 4.9%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Budgeted expenditures for fiscal year 2017 are \$8,236,076, a decrease of \$1,305,339 from the fiscal year 2016 amended budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from \$1,744,480 to \$1,617,782 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 Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N Main Street, Leon, Iowa 50144.

Decatur County

Basic Financial Statements

Decatur County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 2,428,933
Receivables:	
Property tax:	
Delinquent	83,860
Succeeding year	3,391,000
Interest and penalty on property tax	195,190
Accounts	9,194
Accrued interest	394
Due from other governments	776,529
Inventories	497,308
Capital assets, net of accumulated depreciation	23,517,209
Total assets	30,899,617
Deferred Outflows of Resources	
Pension related deferred outflows	435,747
Liabilities	
Accounts payable	260,483
Salaries and benefits payable	122,728
Due to other governments	15,511
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	3,925
General obligation notes	60,000
Jail Authority revenue bonds	160,000
Capital lease purchase agreement	64,516
Compensated absences	145,202
Portion due or payable after one year:	
Bank loan	77,561
General obligation notes	240,000
Jail Authority revenue bonds	2,800,000
Capital lease purchase agreement	166,851
Compensated absences	72,501
Net pension liability	2,037,004
Net OPEB liability	202,000
Total liabilities	6,428,282
Deferred Inflows of Resources	
Unavailable property tax revenue	3,391,000
Pension related deferred inflows	248,232
Total deferred inflows of resources	3,639,232
Net Position	
Net investment in capital assets	19,947,753
Restricted for:	
Supplemental levy purposes	541
Mental health purposes	774,361
Rural services purposes	291,967
Secondary roads purposes	1,394,767
Conservation purposes	142,944
Debt service	14,352
Other purposes	55,029
Unrestricted	(1,353,864)
Total net position	\$ 21,267,850

See notes to financial statements.

Decatur County
Statement of Activities
Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,484,683	145,464	15,993	-	(1,323,226)
Physical health and social services	735,772	287,887	201,238	-	(246,647)
Mental health	358,969	113,442	1,548	-	(243,979)
County environment and education	428,832	102,081	12,291	-	(314,460)
Roads and transportation	4,686,114	79,823	3,556,681	3,020,241	1,970,631
Governmental services to residents	302,993	138,886	-	-	(164,107)
Administration	802,613	38,437	-	-	(764,176)
Interest on long-term debt	96,867	-	-	-	(96,867)
Total	<u>\$ 8,896,843</u>	<u>906,020</u>	<u>3,787,751</u>	<u>3,020,241</u>	<u>(1,182,831)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,876,344
Debt service					289,090
Penalty and interest on property tax					76,230
State tax credits					281,439
Local option sales tax					259,671
Unrestricted investment earnings					7,164
Gain on disposition of capital assets					32,067
Miscellaneous					265,335
Total general revenues					<u>4,087,340</u>
Change in net position					2,904,509
Net position beginning of year					18,363,341
Net position end of year					<u>\$ 21,267,850</u>
See notes to financial statements.					

Decatur County
Balance Sheet
Governmental Funds

June 30, 2016

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 550,535	794,077	238,127
Receivables:			
Property tax:			
Delinquent	51,659	7,790	16,825
Succeeding year	2,271,000	298,000	531,000
Interest and penalty on property tax	195,190	-	-
Accounts	4,272	-	-
Accrued interest	394	-	-
Due from other funds	-	-	-
Due from other governments	53,006	953	41,455
Inventories	-	-	-
Total assets	\$ 3,126,056	1,100,820	827,407
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 70,024	10,626	945
Salaries and benefits payable	62,955	3,948	3,011
Due to other funds	67	38	281
Due to other governments	12,197	125	-
Total liabilities	145,243	14,737	4,237
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,271,000	298,000	531,000
Other	246,632	7,772	16,825
Total deferred inflows of resources	2,517,632	305,772	547,825
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	1,939	-	-
Mental health purposes	-	780,311	-
Rural services purposes	-	-	275,345
Secondary roads purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Conservation purposes	-	-	-
Other purposes	-	-	-
Assigned for conservation purposes	55,400	-	-
Unassigned	405,842	-	-
Total fund balances	463,181	780,311	275,345
Total liabilities, deferred inflows of resources and fund balances	\$ 3,126,056	1,100,820	827,407

See notes to financial statements.

Revenue			
Secondary Roads	Capital Projects	Nonmajor	Total
638,795	3,397	204,002	2,428,933
-	-	7,586	83,860
-	-	291,000	3,391,000
-	-	-	195,190
4,831	-	91	9,194
-	-	-	394
386	-	-	386
679,654	-	1,461	776,529
497,308	-	-	497,308
<u>1,820,974</u>	<u>3,397</u>	<u>504,140</u>	<u>7,382,794</u>
178,453	-	435	260,483
52,814	-	-	122,728
-	-	-	386
2,809	-	380	15,511
<u>234,076</u>	<u>-</u>	<u>815</u>	<u>399,108</u>
-	-	291,000	3,391,000
452,185	-	7,569	730,983
<u>452,185</u>	<u>-</u>	<u>298,569</u>	<u>4,121,983</u>
497,308	-	-	497,308
-	-	-	1,939
-	-	-	780,311
-	-	-	275,345
637,405	-	-	637,405
-	-	6,783	6,783
-	3,397	-	3,397
-	-	142,944	142,944
-	-	55,029	55,029
-	-	-	55,400
-	-	-	405,842
<u>1,134,713</u>	<u>3,397</u>	<u>204,756</u>	<u>2,861,703</u>
<u>1,820,974</u>	<u>3,397</u>	<u>504,140</u>	<u>7,382,794</u>

Decatur County

Decatur County

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

June 30, 2016

Total governmental fund balances (page 21) \$ 2,861,703

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 \$32,948,567 and the accumulated depreciation is \$9,431,358. 23,517,209

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. 730,983

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	\$ 435,747	
Deferred inflows of resources	(248,232)	187,515

Long-term liabilities, including bank loan payable, general obligation notes payable, Jail Authority revenue bonds payable, capital lease purchase agreement payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (6,029,560)

Net position of governmental activities (page 18) \$ 21,267,850

See notes to financial statements.

Decatur County

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

Year ended June 30, 2016

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,968,492	296,821	591,671
Local option sales tax	-	-	259,671
Interest and penalty on property tax	43,451	-	-
Intergovernmental	771,337	29,662	48,369
Licenses and permits	9,390	-	-
Charges for service	293,760	-	-
Use of money and property	6,640	5,577	-
Miscellaneous	244,807	7,498	1,001
Total revenues	3,337,877	339,558	900,712
Expenditures:			
Operating:			
Public safety and legal services	1,353,368	-	131,037
Physical health and social services	690,201	-	-
Mental health	143,413	231,619	-
County environment and education	316,578	-	109,132
Roads and transportation	-	-	-
Governmental services to residents	282,942	-	1,879
Administration	909,074	-	-
Debt service	6,221	-	-
Capital projects	-	-	-
Total expenditures	3,701,797	231,619	242,048
Excess (deficiency) of revenues over (under) expenditures	(363,920)	107,939	658,664
Other financing sources (uses):			
Sale of capital assets	650	3,755	-
Transfers in	5,085	-	-
Transfers out	-	-	(464,484)
General obligation notes issued	320,000	-	-
Capital lease purchase agreement	-	-	-
Total other financing sources (uses)	325,735	3,755	(464,484)
Change in fund balances	(38,185)	111,694	194,180
Fund balances beginning of year	501,366	668,617	81,165
Fund balances end of year	\$ 463,181	780,311	275,345

See notes to financial statements.

Revenue				
Secondary	Capital			
Roads	Projects	Nonmajor		Total
-	-	289,090		3,146,074
-	-	-		259,671
-	-	-		43,451
3,139,519	-	45,097		4,033,984
1,550	-	-		10,940
28	-	23,817		317,605
-	33	491		12,741
77,825	-	125,791		456,922
3,218,922	33	484,286		8,281,388
-	-	12,746		1,497,151
-	-	97,746		787,947
-	-	-		375,032
-	-	1,517		427,227
3,859,734	-	-		3,859,734
-	-	2,099		286,920
-	-	1,755		910,829
-	-	312,513		318,734
163,439	1,059,030	-		1,222,469
4,023,173	1,059,030	428,376		9,686,043
(804,251)	(1,058,997)	55,910		(1,404,655)
-	-	41,081		45,486
464,484	-	-		469,569
-	-	(5,085)		(469,569)
-	-	-		320,000
263,161	-	-		263,161
727,645	-	35,996		628,647
(76,606)	(1,058,997)	91,906		(776,008)
1,211,319	1,062,394	112,850		3,637,711
1,134,713	3,397	204,756		2,861,703

Decatur County

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

Year ended June 30, 2016

Change in fund balances - Total governmental funds (page 25) \$ (776,008)

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

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

Expenditures for capital assets	\$ 1,858,135	
Capital assets contributed by the Iowa Department of Transportation	2,985,638	
Depreciation expense	<u>(1,153,086)</u>	3,690,687

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. (15,426)

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	19,360	
Other	<u>208,595</u>	227,955

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

Issued	(583,161)	
Repaid	<u>274,603</u>	(308,558)

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 285,373

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	51,192	
Other postemployment benefits	(54,000)	
Pension expense	<u>(196,706)</u>	<u>(199,514)</u>

Change in net position of governmental activities (page 19) \$2,904,509

See notes to financial statements.

Decatur County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,332,944
Other County officials	9,524
Receivables:	
Property tax:	
Delinquent	156,739
Succeeding year	6,727,000
Accounts	7,748
Special assessments	46,097
Due from other governments	48,961
Total assets	8,329,013
Liabilities	
Accounts payable	41,111
Salaries and benefits payable	35,658
Due to other governments	8,238,169
Trusts payable	13,464
Compensated absences	611
Total liabilities	8,329,013
Net position	\$ -

See notes to financial statements.

Decatur County

Decatur County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

Decatur County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

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

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

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

The Friends of Decatur County Conservation has been established to solicit and accept gifts from persons or organization for development and enhancement of environmental education and conservation projects within the scope of the jurisdiction of the Decatur County Conservation Board. The organization has not been established as a separate non-profit corporation and has been blended as a Special Revenue Fund of the County.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Decatur County Assessor’s Conference Board, Decatur County Joint E-911 Service Board and Decatur County Emergency Management Commission. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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	\$ 65,000
Intangibles	25,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

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

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

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

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents 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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 67
	Special Revenue:	
	Mental Health	38
	Rural Services	281
Total		<u>\$ 386</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Structure Operation and Maintenance	\$ 5,085
Special Revenue: Secondary Roads	Rural Services	464,484
Total		<u>\$ 469,569</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,068,748	6,000	-	3,074,748
Intangibles, road network	519,719	-	-	519,719
Construction in progress, road network	177,810	3,106,043	804,096	2,479,757
Construction in progress	2,009,583	1,059,030	3,068,613	-
Total capital assets not being depreciated	5,775,860	4,171,073	3,872,709	6,074,224
Capital assets being depreciated:				
Buildings	2,019,366	3,094,021	-	5,113,387
Improvements other than buildings	386,936	99,135	-	486,071
Equipment and vehicles	5,394,872	548,157	272,808	5,670,221
Infrastructure, road network	14,800,568	804,096	-	15,604,664
Total capital assets being depreciated	22,601,742	4,545,409	272,808	26,874,343
Less accumulated depreciation for:				
Buildings	564,830	101,919	-	666,749
Improvements other than buildings	128,532	17,151	-	145,683
Equipment and vehicles	4,069,772	357,825	257,382	4,170,215
Infrastructure, road network	3,772,520	676,191	-	4,448,711
Total accumulated depreciation	8,535,654	1,153,086	257,382	9,431,358
Total capital assets being depreciated, net	14,066,088	3,392,323	15,426	17,442,985
Governmental activities capital assets, net	\$19,841,948	7,563,396	3,888,135	23,517,209

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 118,207
Physical health and social services	15,712
Mental health	13,023
County environment and education	25,295
Roads and transportation	940,155
Governmental services to residents	7,920
Administration	32,774
Total depreciation expense - governmental activities	<u>\$1,153,086</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 12,197
Special Revenue:		
Mental Health	Services	125
Secondary Roads	Services	2,809
Juvenile Tracking	Services	380
		<u>3,314</u>
Total for governmental funds		<u>\$ 15,511</u>
Agency:		
County Offices	Collections	\$ 7,159
Ag. Extension Education		75,899
County Assessor		518,012
Schools		4,187,035
Community Colleges		216,110
Corporations		1,424,589
Townships		148,959
Auto License and Use Tax		156,941
CROSS Mental Health Region		170,286
All other		1,333,179
Total for agency funds		<u>\$ 8,238,169</u>

(7) Long-Term Liabilities

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

	Bank Loan	General Obligation Notes	Jail Authority Revenue Bonds	Capital Lease Purchase Agreement	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 64,295	60,000	3,115,000	25,000	268,895	1,599,325	148,000	5,280,515
Increases	20,000	300,000	-	263,161	168,009	437,679	54,000	1,242,849
Decreases	2,809	60,000	155,000	56,794	219,201	-	-	493,804
Balance end of year	<u>\$ 81,486</u>	<u>300,000</u>	<u>2,960,000</u>	<u>231,367</u>	<u>217,703</u>	<u>2,037,004</u>	<u>202,000</u>	<u>6,029,560</u>
Due within one year	<u>\$ 3,925</u>	<u>60,000</u>	<u>160,000</u>	<u>64,516</u>	<u>145,202</u>	<u>-</u>	<u>-</u>	<u>433,643</u>

Bank Loan Payable

A summary of the County's June 30, 2016 bank loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2017	4.85%	\$ 3,925	3,452	7,377
2018	4.85	4,492	3,568	8,060
2019	4.85	4,702	3,357	8,059
2020	4.85	4,914	3,145	8,059
2021	4.85	5,154	2,906	8,060
2022-2026	4.85	29,217	10,670	39,887
2027-2031	4.85	23,621	4,418	28,039
2032	4.85	5,461	147	5,608
Total		\$ 81,486	31,663	113,149

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

On March 11, 2016, the County borrowed \$20,000 from American State Bank for roof repairs and building maintenance to the Public Health building. The loan bears an interest rate of 4.02% per annum and matures during the year ending June 30, 2026. The loan payments were combined with the previous note for a \$672 per month payment. During the year ended June 30, 2016 the County paid \$2,809 of principal and \$3,354 of interest on these loans.

General Obligation Notes

On December 1, 2014, the County issued \$60,000 of general obligation notes to purchase computer equipment, bearing interest at 2.59% per annum. The notes matured during the year ended June 30, 2016 and the County paid \$60,000 of principal and \$2,366 of interest on the note.

On March 1, 2016, the County issued \$300,000 of general obligation notes for the purpose of constructing improvements, acquiring furnishings and equipment for the Courthouse, Public Health Building and County Jail, in addition to the purchase of both a vehicle for the Sheriff's Department and a geographic information system for the County. The notes bear interest at 2.82% per annum and mature during the year ending June 30, 2021.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2017	2.82%	\$ 60,000	10,575	70,575
2018	2.82	60,000	6,768	66,768
2019	2.82	60,000	5,076	65,076
2020	2.82	60,000	3,384	63,384
2021	2.82	60,000	1,692	61,692
Total		\$ 300,000	27,495	327,495

Jail Authority Revenue Bonds

On November 12, 2014, the Decatur County Jail Authority issued \$3,300,000 of Jail Facilities Revenue Bonds, Series 2014. The proceeds from the bonds have provided for financing the acquisition, construction, furnishing and equipping of jail facilities. The bonds are payable solely from future rental payments made by the County under a capital lease purchase agreement with the Jail Authority. The total principal and interest remaining to be paid on the bonds is \$3,730,053 and are payable through 2031. The bonds bear interest at rates ranging from 3.00% to 3.20% per annum. During the year ended June 30, 2016, the Authority paid principal of \$155,000 and interest of \$94,278 on the bonds.

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

Details of the Jail Authority revenue bonds outstanding at June 30, 2016 are as follows:

Year					
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2017	3.00%	\$ 160,000	89,628	249,628	
2018	3.00	165,000	84,828	249,828	
2019	3.00	170,000	79,877	249,877	
2020	3.00	175,000	74,777	249,777	
2021	3.00	180,000	69,528	249,528	
2022-2026	3.00	975,000	263,638	1,238,638	
2027-2031	3.00-3.20	1,135,000	107,777	1,242,777	
Total		\$ 2,960,000	770,053	3,730,053	

Capital Lease Purchase Agreement

During the year ended June 30, 2015, the County entered into a capital lease purchase agreement for a backhoe for \$50,000. During the year ended June 30, 2015, a payment was made of \$25,000. The future minimum lease payment due July 1, 2016 was \$25,685, including interest at 2.75% per annum. The payments on the capital lease purchase agreement totaled \$25,685 for the year ended June 30, 2016, paying off the lease.

During the year ended June 30, 2016, the County entered into a capital lease purchase agreement for a hydraulic excavator and other equipment for \$263,161. The agreement bears interest at 1.94% per annum and is payable in quarterly installments of \$17,133, with the final payment due on December 28, 2019. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2016:

Year Ending June 30,	Total
2017	\$ 68,531
2018	68,531
2019	68,531
2020	<u>34,265</u>
Total minimum lease payments	239,858
Less amount representing interest	<u>(8,491)</u>
Present value of net minimum lease payments	<u>\$ 231,367</u>

Payments under the capital lease purchase agreement totaled \$34,266 for the year ended June 30, 2016.

(8) Pension Plan

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

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

Contributions – 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 Sheriff, 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% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were \$285,373.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$2,037,004 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 0.041231%, which was an increase of 0.000904% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$196,706. 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	\$ 30,816	15,308
Changes of assumptions	56,156	9,686
Net difference between projected and actual earnings on IPERS’ investments	-	209,440
Changes in proportion and differences between County contributions and the County’s proportionate share of contributions	63,402	13,798
County contributions subsequent to the measurement date	285,373	-
Total	\$ 435,747	248,232

\$285,373 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ (67,841)
2018	(67,841)
2019	(67,841)
2020	105,507
2021	158
Total	\$ (97,858)

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)
	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:	\$ 3,920,345	2,037,004	448,463

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 – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 66 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 54,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	54,000
Contributions made	-
Increase in net OPEB obligation	54,000
Net OPEB obligation beginning of year	148,000
Net OPEB obligation end of year	\$ 202,000

For the year ended June 30, 2016, the County made no contributions to the medical plan. Plan members eligible for benefits contributed \$9,000 to the medical plan.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 44,000	75.0%	\$ 137,000
2015	44,000	75.0	148,000
2016	54,000	0.0	202,000

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 \$263,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$263,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,768,000 and the ratio of the UAAL to covered payroll was 9.5%. 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 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, a simplified version of 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.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table, projected to 2015 using scale MP-2015. Protective service employees are assumed to retire at age 58 and administrative employees are assumed to retire at age 61 subject to the minimum age/service retirement eligibility.

Projected claim costs of the medical plan A are \$688 per month for retirees, \$875 for retirees plus one dependent and plan B are \$555 per month for retirees, \$701 for retirees plus one dependent. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Operating Leases

The County entered into leases for copiers and a phone system during the year ended June 30, 2016. The following is a schedule of future minimum lease payments required under the operating lease agreements:

Year ending June 30,	Amount
2017	\$ 28,263
2018	28,263
2019	28,263
2020	28,263
2021	3,733
Total	<u>\$ 116,785</u>

Lease expense for these leases for the year ended June 30, 2016 totaled \$24,530.

(11) Risk Management

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

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

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2016, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2016, 2015 and 2014, the Pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the Pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2016, settled claims have not exceeded the Pool or reinsurance coverage since commencement of the Pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$256,698.

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

(12) Higher Education Notes

In December 2013, the County issued \$9,158,000 of refunding notes and \$2,292,000 of taxable revenue notes for Graceland University under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding on the refunding and taxable revenue notes at June 30, 2016 are \$9,158,000 and \$1,076,025, respectively. The notes and related interest are payable solely from and are secured by a pledge of revenues to be received from Graceland University and the note principal and interest do not constitute liabilities of the County.

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

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective September 18, 2013, includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The financial activity of Decatur County's Special Revenue, Mental Health Fund is included in the County Rural Offices of Social Services (CROSS) Mental Health Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 296,821
Intergovernmental:		
State tax credits	\$ 27,753	
MH-DD reimbursement from other governments	1,548	
Other	361	29,662
Use of money and property		5,577
Miscellaneous		7,498
Total revenues		<u>339,558</u>
Expenditures:		
Services to persons with:		
Mental illness	135,699	
Intellectual disabilities	11,529	
Other developmental disabilities	3,184	150,412
General administration:		
Direct administration	65,412	
Distribution to regional fiscal agent	15,795	81,207
Total expenditures		<u>231,619</u>
Excess of revenues over expenditures		107,939
Other financing sources:		
Sale of capital assets		3,755
Change in fund balance		111,694
Fund balance beginning of year		668,617
Fund balance end of year		<u>\$ 780,311</u>

(14) 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

Decatur County

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

Required Supplementary Information

Year ended June 30, 2016

	Funds not Required to		
	Actual	be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,410,339	-	3,410,339
Interest and penalty on property tax	43,370	-	43,370
Intergovernmental	4,214,385	-	4,214,385
Licenses and permits	10,837	-	10,837
Charges for service	325,452	-	325,452
Use of money and property	12,555	34	12,521
Miscellaneous	462,673	117,355	345,318
Total receipts	8,479,611	117,389	8,362,222
Disbursements:			
Public safety and legal services	1,505,901	-	1,505,901
Physical health and social services	779,570	-	779,570
Mental health	379,190	-	379,190
County environment and education	422,559	1,517	421,042
Roads and transportation	3,463,862	-	3,463,862
Governmental services to residents	285,177	-	285,177
Administration	925,887	-	925,887
Debt service	569,076	249,712	319,364
Capital projects	1,189,241	1,059,030	130,211
Total disbursements	9,520,463	1,310,259	8,210,204
Excess (deficiency) of receipts over (under) disbursements	(1,040,852)	(1,192,870)	152,018
Other financing sources, net	617,452	249,910	367,542
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(423,400)	(942,960)	519,560
Balance beginning of year	2,852,333	1,062,195	1,790,138
Balance end of year	\$ 2,428,933	119,235	2,309,698

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
3,608,333	3,646,346	(236,007)
32,700	32,724	10,646
3,680,650	4,499,187	(284,802)
8,388	9,088	1,749
236,500	294,125	31,327
10,000	10,000	2,521
208,045	412,476	(67,158)
<u>7,784,616</u>	<u>8,903,946</u>	<u>(541,724)</u>
1,283,470	1,624,760	118,859
794,310	915,331	135,761
1,242,654	1,242,279	863,089
427,914	479,019	57,977
2,781,871	3,480,164	16,302
320,962	315,797	30,620
693,930	939,087	13,200
319,978	319,978	614
110,000	225,000	94,789
<u>7,975,089</u>	<u>9,541,415</u>	<u>1,331,211</u>
(190,473)	(637,469)	789,487
25,000	362,769	4,773
(165,473)	(274,700)	794,260
<u>1,577,840</u>	<u>1,780,156</u>	<u>9,982</u>
<u>1,412,367</u>	<u>1,505,456</u>	<u>804,242</u>

Decatur County

Decatur 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	\$ 8,479,611	(198,223)	8,281,388
Expenditures	9,520,463	165,580	9,686,043
Net	(1,040,852)	(363,803)	(1,404,655)
Other financing sources, net	617,452	11,195	628,647
Beginning fund balances	2,852,333	785,378	3,637,711
Ending fund balances	\$ 2,428,933	432,770	2,861,703

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,566,326. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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. However, disbursements in certain departments exceeded the amounts appropriated.

Decatur 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 proportion of the net pension liability	0.041231%	0.040327%
County's proportionate share of the net pension liability	\$ 2,037	1,599
County's covered-employee payroll	\$ 3,385	3,291
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.18%	48.59%
IPERS' 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.

Decatur County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 285	308	300	274
Contributions in relation to the statutorily required contribution	(285)	(308)	(300)	(274)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 3,133	3,385	3,291	3,078
Contributions as a percentage of covered-employee payroll	9.10%	9.10%	9.12%	8.90%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
252	217	206	201	181	155
(252)	(217)	(206)	(201)	(181)	(155)
-	-	-	-	-	-
3,006	2,951	2,962	3,038	2,862	2,498
8.38%	7.35%	6.95%	6.62%	6.32%	6.20%

Decatur County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

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.

Decatur County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	July 1, 2009	-	\$ 282	282	0.0%	\$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.0	2,685	10.5
2012	July 1, 2009	-	282	282	0.0	2,702	10.4
2013	July 1, 2012	-	347	347	0.0	2,908	11.9
2014	July 1, 2012	-	347	347	0.0	3,185	11.0
2015	July 1, 2012	-	347	347	0.0	3,230	10.7
2016	July 1, 2015	-	263	263	0.0	2,768	9.5

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

See accompanying independent auditor's report.

Decatur County

Supplementary Information

Decatur County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	County Recorder's Records Management	Resource Enhancement and Protection	Special Juvenile Tracking
Assets			
Cash, cash equivalents and pooled investments	\$ 7,554	27,106	10,265
Receivables:			
Delinquent property tax	-	-	-
Succeeding year property tax	-	-	-
Accounts	-	-	-
Due from other governments	-	-	-
Total assets	\$ 7,554	27,106	10,265
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other governments	-	-	380
Total liabilities	-	-	380
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Conservation purposes	-	27,106	-
Other purposes	7,554	-	9,885
Total fund balances	7,554	27,106	9,885
Total liabilities, deferred inflows of resources and fund balances	\$ 7,554	27,106	10,265

See accompanying independent auditor's report.

Revenue						
Emergency	Special	County	Friends of	Debt		
Medical	Law	Attorney	Conservation	Service		
Services	Enforcement	Forfeiture			Total	
	Proceeds					
1,078	25,388	9,572	115,838	7,201	204,002	
-	-	-	-	7,586	7,586	
-	-	-	-	291,000	291,000	
-	-	91	-	-	91	
-	1,461	-	-	-	1,461	
1,078	26,849	9,663	115,838	305,787	504,140	
-	-	-	-	435	435	
-	-	-	-	-	380	
-	-	-	-	435	815	
-	-	-	-	291,000	291,000	
-	-	-	-	7,569	7,569	
-	-	-	-	298,569	298,569	
-	-	-	-	6,783	6,783	
-	-	-	115,838	-	142,944	
1,078	26,849	9,663	-	-	55,029	
1,078	26,849	9,663	115,838	6,783	204,756	
1,078	26,849	9,663	115,838	305,787	504,140	

Decatur County

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

Year ended June 30, 2016

	County Recorder's Records Management	Resource Enhancement and Protection	Structure Operation and Maintenance	Special Juvenile Tracking
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	12,291	-	-
Charges for service	1,496	-	-	-
Use of money and property	28	68	-	-
Miscellaneous	-	-	-	198
Total revenues	1,524	12,359	-	198
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	92,043
County environment and education	-	-	-	-
Government Services to Residents Administration	2,099	-	-	-
Debt service	-	-	-	-
Total expenditures	2,099	-	-	92,043
Excess (deficiency) of revenues over (under) expenditures	(575)	12,359	-	(91,845)
Other financing sources (uses):				
Sale of capital assets	-	-	-	41,081
Transfers out	-	-	(5,085)	-
Total other financing sources (uses)	-	-	(5,085)	41,081
Change in fund balances	(575)	12,359	(5,085)	(50,764)
Fund balances beginning of year	8,129	14,747	5,085	60,649
Fund balances end of year	\$ 7,554	27,106	-	9,885

See accompanying independent auditor's report.

Revenue							
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Courthouse Repair	Friends of Conservation	Debt Service		Total
-	-	-	-	-	289,090		289,090
5,423	-	-	-	-	27,383		45,097
-	22,321	-	-	-	-		23,817
-	-	-	-	-	395		491
-	7,809	429	-	117,355	-		125,791
5,423	30,130	429	-	117,355	316,868		484,286
-	12,746	-	-	-	-		12,746
5,703	-	-	-	-	-		97,746
-	-	-	-	1,517	-		1,517
-	-	-	-	-	-		2,099
-	-	-	1,755	-	-		1,755
-	-	-	-	-	312,513		312,513
5,703	12,746	-	1,755	1,517	312,513		428,376
(280)	17,384	429	(1,755)	115,838	4,355		55,910
-	-	-	-	-	-		41,081
-	-	-	-	-	-		(5,085)
-	-	-	-	-	-		35,996
(280)	17,384	429	(1,755)	115,838	4,355		91,906
1,358	9,465	9,234	1,755	-	2,428		112,850
1,078	26,849	9,663	-	115,838	6,783		204,756

Decatur County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	-	1,843	358,441	91,210
Other County officials	\$ 9,524	-	-	-
Receivables:				
Property tax:				
Delinquent	-	2,056	4,582	102,825
Succeeding year	-	72,000	177,000	3,993,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 9,524	75,899	540,023	4,187,035
Liabilities				
Accounts payable	\$ -	-	17,910	-
Salaries and benefits payable	-	-	3,490	-
Due to other governments	7,159	75,899	518,012	4,187,035
Trusts payable	2,365	-	-	-
Compensated absences	-	-	611	-
Total liabilities	\$ 9,524	75,899	540,023	4,187,035

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
4,314	36,666	2,637	156,941	201,518	479,374	1,332,944
-	-	-	-	-	-	9,524
4,796	21,923	3,322	-	-	17,235	156,739
207,000	1,366,000	143,000	-	-	769,000	6,727,000
-	-	-	-	-	7,748	7,748
-	-	-	-	-	46,097	46,097
-	-	-	-	-	48,961	48,961
216,110	1,424,589	148,959	156,941	201,518	1,368,415	8,329,013
-	-	-	-	-	23,201	41,111
-	-	-	-	31,232	936	35,658
216,110	1,424,589	148,959	156,941	170,286	1,333,179	8,238,169
-	-	-	-	-	11,099	13,464
-	-	-	-	-	-	611
216,110	1,424,589	148,959	156,941	201,518	1,368,415	8,329,013

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	County	Agricultural	County	
	Offices	Extension Education	Assessor	Schools
Balances beginning of year	\$ 8,979	81,994	479,744	4,086,109
Additions:				
Property and other county tax	-	71,739	176,972	3,980,436
E-911 surcharge	-	-	-	-
State tax credits	-	7,421	16,537	371,362
Office fees and collections	226,064	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	99,953	-	-	-
Miscellaneous	-	-	172	-
Total additions	326,017	79,160	193,681	4,351,798
Deductions:				
Agency remittances:				
To other funds	119,504	-	-	-
To other governments	112,151	85,255	133,402	4,250,872
Trusts paid out	93,817	-	-	-
Total deductions	325,472	85,255	133,402	4,250,872
Balances end of year	\$ 9,524	75,899	540,023	4,187,035

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
191,912	1,330,490	137,841	153,755	165,699	1,329,139	7,965,662
206,890	1,336,070	143,696	-	-	767,114	6,682,917
-	-	-	-	-	33,572	33,572
17,340	169,522	9,662	-	-	62,205	654,049
-	-	-	-	-	-	226,064
-	-	-	2,033,348	-	-	2,033,348
-	-	-	-	-	9,172	9,172
-	-	-	-	-	143,821	243,774
-	-	-	-	255,080	323,813	579,065
224,230	1,505,592	153,358	2,033,348	255,080	1,339,697	10,461,961
-	-	-	76,773	-	-	196,277
200,032	1,411,493	142,240	1,953,389	219,261	1,128,572	9,636,667
-	-	-	-	-	171,849	265,666
200,032	1,411,493	142,240	2,030,162	219,261	1,300,421	10,098,610
216,110	1,424,589	148,959	156,941	201,518	1,368,415	8,329,013

Decatur County

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

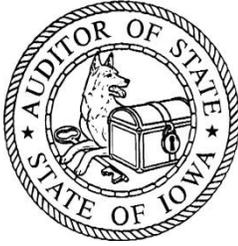
For the Last Ten Years

	2016	2015	2014	Modified 2013
Revenues:				
Property and other county tax	\$ 3,146,074	2,615,642	2,326,729	2,341,345
Local option sales tax	259,671	239,178	207,420	223,325
Interest and penalty on property tax	43,451	40,081	34,206	33,658
Intergovernmental	4,033,984	4,866,093	4,356,943	4,097,394
Licenses and permits	10,940	9,608	9,185	8,287
Charges for service	317,605	273,043	274,291	275,618
Use of money and property	12,741	6,391	5,297	15,265
Miscellaneous	456,922	460,347	184,144	133,253
Total	\$ 8,281,388	8,510,383	7,398,215	7,128,145
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,497,151	1,182,362	1,119,870	999,256
Physical health and social services	787,947	1,119,244	1,218,807	1,209,667
Mental health	375,032	594,443	578,325	491,385
County environment and education	427,227	472,359	411,689	364,291
Roads and transportation	3,859,734	3,244,012	3,488,258	3,062,269
Governmental services to residents	286,920	278,788	281,652	263,161
Administration	910,829	719,107	928,488	624,649
Non-program	-	-	-	-
Debt service	318,734	853,071	6,125	506,455
Capital projects	1,222,469	2,445,525	640,321	128,084
Total	\$ 9,686,043	10,908,911	8,673,535	7,649,217

See accompanying independent auditor's report.

Accrual Basis					
2012	2011	2010	2009	2008	2007
2,641,230	2,385,586	2,330,691	2,147,097	1,917,384	1,883,153
233,863	196,528	207,294	194,886	210,406	221,697
38,698	35,276	35,905	35,961	34,997	31,338
4,734,628	4,663,097	4,526,232	4,524,871	4,575,473	4,199,531
7,041	7,462	6,997	4,552	3,489	4,431
276,759	298,864	261,623	260,759	297,940	270,620
16,315	19,206	27,248	32,866	97,023	109,774
260,834	237,043	276,605	196,132	179,808	210,735
8,209,368	7,843,062	7,672,595	7,397,124	7,316,520	6,931,279
994,986	928,288	911,014	889,564	896,793	841,586
1,296,932	1,243,715	1,175,459	1,219,969	1,241,444	1,008,891
1,335,574	1,132,926	993,984	1,096,615	1,176,131	1,099,423
385,260	348,532	364,380	357,413	301,919	300,666
2,714,101	2,990,872	2,988,154	2,934,283	2,726,522	2,808,097
251,194	271,421	256,647	255,150	240,104	218,865
520,688	591,093	628,799	594,887	578,576	581,694
-	-	-	7,542	-	-
250	-	-	-	80,736	68,090
223,949	129,701	219,324	27,697	64,936	123,954
7,722,934	7,636,548	7,537,761	7,383,120	7,307,161	7,051,266

Decatur County



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Decatur County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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.

Decatur County's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Decatur County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

May 30, 2017

Decatur County
 Schedule of Findings
 Year ended June 30, 2016

Findings 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 offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts - opening and listing mail receipts, collecting, depositing, posting, daily reconciling and handling cash.	Treasurer, Sheriff Recorder, Conservation, Secondary Roads, Public Health
(2) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	Recorder
(3) Payroll – recordkeeping, preparing, check writing, signing and distributing.	County Auditor
(4) Bank reconciliations are not reviewed periodically by an independent person.	Treasurer, Recorder, Conservation
(5) Auto licenses and use tax – collecting, recording and reconciling.	Treasurer
(6) Accounts receivable – collecting, posting and reconciling.	Public Health

Cause – The County offices noted above have 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.

Decatur County

Schedule of Findings

Year ended June 30, 2016

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Auditor – The Auditor’s Office makes every attempt to segregate the duties of payroll. The implementation of a departmental “cover sheet” with the payroll process has added a level of review on the front end of each payroll process, requiring each department head to complete the “cover sheet”, summarizing the type and number of hours worked by each employee for the pay period. Additionally, we now provide a leave balance report to each department head following every pay period. The Auditor’s Office does and will continue to coordinate with the Office Manager for the Secondary Roads Department each pay period to perform an independent review of the payroll journals. The journals are and will continue to be evidenced by signatures of the Auditor, Deputy Auditor and Secondary Roads’ Office Manager.

Treasurer – We will have an independent person review the monthly bank reconciliations and will have someone open the mail and prepare a list of receipts. With such a small office, it is difficult to segregate the collection and recording of receipts.

Recorder – We do what we can with a staff of two people in the office.

Sheriff – We will complete second reviews on all deposits, bank reconciliations and mail receipts list.

Secondary Roads – The Office Manager receives all mail, stamps in and gives to County Engineer for approval and acceptance.

Conservation – We will try to comply with these recommendations stated above.

Public Health – I have the Administrator look over our accounts monthly. The Case Manager of the homemaker program reviews her accounts also.

Conclusions –

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

All Others – Responses accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

(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 and payables were not properly recorded in the County's financial statements. In addition, the County did not include the jail construction assets in the capital asset listing. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all receivables, payables, and capital asset/infrastructure additions and deletions are identified and properly reported in the County's financial statements.

Response – The County will work to establish procedures to ensure all receivables, payables and capital asset/infrastructure additions and deletions are identified and properly reported.

Conclusion – Response accepted.

(C) Maintenance of Financial Records

Criteria – A deficiency in internal control over maintenance of financial records 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 – During the year ended June 30, 2016, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2016, the book balance exceeded the bank balance by \$13,961.

Decatur County

Schedule of Findings

Year ended June 30, 2016

Cause – The variances between the bank balance and the general ledger were due, in part, to certain records not being maintained on a current basis and not being maintained in a manner to ensure all collections were properly recorded in the County’s financial system. County policies have not been established to reconcile recorded receipts in the computer system with daily balancing sheets.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions.

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

Responses –

Treasurer – We are aware that the bank and general ledger do not agree. We will continue to work with the County Auditor and our software vendor to look for reasons why we are not reconciling.

Auditor – Resolving this issue is critical. The Auditor’s Office will do everything we can to help with this. We have recently implemented a procedure to balance expenditures every month in an effort to help identify issues sooner rather than later.

Conclusions – Responses accepted.

(D) Delinquent Property Tax Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling current and delinquent property tax collections to tax billings and amounts becoming or remaining delinquent to ensure the accuracy of current and delinquent property tax collections and receivables.

Condition – The County did not have procedures in place to ensure delinquent tax reconciliations by tax district were prepared.

Cause – Policies have not been established and procedures have not been implemented to reconcile current and delinquent property tax to ensure the accuracy of property tax collections and receivables.

Effect – Since delinquent property tax reconciliations were not performed, misstatements of delinquent property tax collections and/or receivables may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – Delinquent property tax reconciliations should be prepared.

Response – This was an oversight of the prior Treasurer. We will prepare this in the future.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

(E) County Sheriff

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances. Also, book balances are not reconciled to the trust account listings.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Inadequate accounting records and a lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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

Response – We will prepare an annual summary of receipts and disbursements and reconcile bank statements to the trust account listing. We will continue preparing monthly receipts and disbursement sheets.

Conclusion – Response accepted.

(F) Passport Receipts

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establish polices regarding initial transaction recording.

Condition – Receipts for passports and photos were only generated when requested.

Cause – Policies and procedures have not been implemented to require prenumbered receipts for all collections.

Effect – Inadequate initial receipt recordings can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Prenumbered receipts should be issued for all collections.

Response – We will implement a policy for issuing prenumbered receipts for all passport processing/photo fee collections.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

(G) Compensated Absences

Criteria – An effective internal control system provides for internal controls related to recordkeeping of compensated absences balances by all employees. Compensated absences records provide an accurate record of compensatory time earned and taken. Periodic supervisory review of compensated absences balances can help ensure the accuracy of recorded hours and calculation of carryforward balances.

Condition – Compensated absences balances were not periodically reviewed by supervisory personnel.

Cause – Policies have not been established and procedures have not been implemented to require periodic review of compensated absences balances by supervisory personnel.

Effect – The lack of a documented supervisory review process increases the probability staff errors in recording leave or carryforward balances will go undetected. When an employee retires or otherwise leaves employment and claims a payout, the County needs support to provide assurance the claim is proper. Without maintaining periodic review of the accuracy of these records, the County may not have the ability to support the claim.

Recommendation – Periodic supervisory review of compensated absences balances should be performed and documented.

Response – As of fiscal year 2017, we now provide an employee leave balance report to each department head following every pay period.

Conclusion – Response accepted.

(H) Accounting Procedures Manuals

Criteria – Accounting policies and procedures manuals provide the following benefits:

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

Condition – The Treasurer’s Office and Recorder’s Office have not developed accounting policies and procedures manuals.

Cause – The development of accounting policies and procedures manuals has not been prioritized by the offices.

Effect – Lack of an accounting policies and procedures manual could result in a County Office’s lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Decatur County
Schedule of Findings
Year ended June 30, 2016

Recommendation – Office procedures and accounting manuals should be prepared for both the Treasurer’s Office and the Recorder’s Office.

Responses –

Treasurer – We have a manual created by our software vendor. We will work on preparing a manual for any specific modifications or additional procedures we do.

Recorder – We do have a Recorder’s Handbook.

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

(I) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have a written policy for maintaining security upon termination of employment.

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

Cause – Management has not required written policies for maintaining security upon termination of employment or all of the key elements of the disaster recovery plan.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a complete disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop a written policy addressing maintaining security upon termination of employment in order to improve the County’s control over its computer systems. The County should include all of the key elements in its written disaster recovery plan.

Response – We will work to develop written policies addressing these items. In addition, the County will review its disaster recovery plan and update it to include the suggested key elements to ensure speedy and accurate recovery of operations.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

(J) Employee Evaluations

Criteria – An effective method to improve employee performance and address areas of improvement is through the annual performance evaluations in accordance with the County’s personnel policies. The evaluation would document the employee’s progress and work quality.

Condition – Annual employee performance evaluations are not performed.

Cause – Policies have not been established and procedures have not been implemented to ensure timely employee performance evaluations.

Effect – Specific strengths and weaknesses to improve employee performance are not communicated to employees in a manner in which they can take action to improve their job performance.

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

Response – The County’s policy encourages department heads to evaluate the performance of each employee and provides a procedure for doing so. The Board will make a more concerted effort with the department heads.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated both prior to the budget being amended and at year end.

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

Response – Closer scrutiny of departmental disbursement totals in relation to their appropriation amounts will be made. Any increase or decrease in appropriations will be approved in advance as required by Chapter 331.434(6) of the Code of Iowa and recorded in the minutes of the Board of Supervisors.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rich Erke, Conservation Director, Son owns Midwest Land Restoration	Clearing Timber/ Restoration	\$ 9,610
Noah Thomas, Assistant to the Engineer Father, Engineering Services provider	Inspection and surveying	7,098
Jim Fulton, Board of Supervisors, Sole proprietor of Fulton Electric	Electrical repair	500
J.R. Cornett, Board of Supervisors, Owns Carquest of Lamoni	Auto repair and supplies	388

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2016

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

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – The County will consult legal counsel to determine the disposition of these matters.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

- (10) E-911 Service Board Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted.

Recommendation – The budget should have been amended by the E-911 Service Board in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the E-911 Service Board budget will be monitored monthly for accuracy and overages. The budget will be amended accordingly to meet current fiscal demand or unexpected expenditures.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2016

- (11) Noncurrent Debt – On February 29, 2016, the County approved a \$20,000 bank loan for roof repairs and building maintenance to the Public Health Building. The repayment of the loan will be made from the General Fund. Chapters 331.478 and 331.479 of the Code of Iowa require that before noncurrent debt can be incurred a notice of the proposed action, including a statement of the amount, purposes, and form of the debt, the proposed time of its liquidation, and the time and place of the meeting at which the Board proposes to take action to authorize the debt, shall be published. At the public hearing, the Board receives oral and written objections before action is taken to authorize the debt or abandon the proposal. The County did not publish notice of or hold a public hearing prior to authorizing the noncurrent debt.

Recommendation – The County should consult legal counsel to determine the disposition of this matter. In the future, the County should comply with Chapters 331.478 and 331.479 of the Code of Iowa before noncurrent debt is authorized.

Response – The Board of Supervisors misunderstood that the Public Health Board had the authority to approve the loan following a public hearing set by that Board, so the Board of Supervisors recognized this loan during their February 29, 2016, meeting. For any future Public Health loans, the County will be sure to comply with Chapters 331.478 and 331.479 of the Code of Iowa.

Conclusion – Response accepted.

- (12) Lease Purchase Agreement – During the year ended June 30, 2016, the County entered into a lease purchase agreement for the purchase of a hydraulic excavator and other equipment for the Secondary Roads Department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapter 331.301(10)(e) and Chapters 331.478 and 331.479 of the Code of Iowa.

Chapter 331.301(10)(e) of the Code of Iowa states that the Board of Supervisors must follow substantially the authorization procedures of Chapter 331.443 of the Code of Iowa, which requires a notice of public hearing to be published and a public hearing to be held, to authorize a lease or lease-purchase contract for personal property which is payable from the General Fund.

Chapter 331.478 of the Code of Iowa allows a County to authorize by resolution noncurrent debt, including installment purchase contracts and other formal debt instruments or obligations other than bonds, payable from resources accruing after the end of the fiscal year in which the debt is incurred, in accordance with Chapter 331.479 of the Code of Iowa. Chapter 331.479 of the Code of Iowa requires a notice of public hearing to be published and a public hearing to be held before the Board may institute proceedings for the incurrence of noncurrent debt.

Recommendation – The County should consult legal counsel to determine the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapter 331.301(10)(e) and Chapters 331.478 and 331.479 of the Code of Iowa.

Decatur County

Schedule of Findings

Year ended June 30, 2016

Response – An official public hearing was held at 9:15 am on December 7, 2015 during the Board of Supervisors normal business meeting. The meeting was posted in the agenda and recorded in the minutes for the above meeting. However, notice was not placed in the official newspapers specifically for the public meeting. This was an oversight and is not typical for actions requiring a standalone public hearing by Code. The County Attorney was consulted regarding this matter and it was determined that proper procedure for public hearing was followed. The only issue of non-compliance was the failure to publish the notice in the newspaper. This was not an intentional error, only a mistake and we will take care to publish the appropriate notices in the future.

Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Katherine L. Rupp, CPA, Manager
Jesse J. Probasco, CPA, Senior Auditor
Premnarayan Gobin, Staff Auditor
Alex N. Kawamura, CPA, Staff Auditor
Robert Quinn Barrett, Assistant Auditor
Jacob N. Bennett, Assistant Auditor
Debora M. Copeland, Assistant Auditor
Sarah K. Nissen, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State