OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE February 5, 2018

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

The County had local tax revenue of $72,968,953 for the year ended June 30, 2017, which included $6,341,218 in tax credits from the state. The County forwarded $55,427,252 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $17,541,701 of the local tax revenue to finance County operations, a 4.4% increase over the prior year. Other revenues included charges for service of $3,065,584, operating grants, contributions and restricted interest of $7,596,431, capital grants, contributions and restricted interest of $158,380 tax increment financing of $88,317, local option sales tax of $1,834,732, unrestricted investment earnings of $186,476 and other general revenues of $173,997.

Expenses for County operations for the year ended June 30, 2017 totaled $28,588,856, a 6.2% increase over the prior year. Expenses included $10,000,726 for public safety and legal services, $7,537,425 for roads and transportation and $4,162,458 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1710-0070-B00F.

# # #

MUSCATINE COUNTY

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

JUNE 30, 2017

1710-0070-B00F

Table of Contents

Table of Contents
(continued)

Muscatine County

Officials

(Before January 2017)

Name	Title	Term Expires
Kas Kelly	Board of Supervisors	Jan 2017
Scott Sauer	Board of Supervisors	Jan 2017
Matt Bonebrake	Board of Supervisors	Jan 2019
Robert Howard	Board of Supervisors	Jan 2019
Jeff Sorensen	Board of Supervisors	Jan 2019
Leslie Soule	County Auditor	Jan 2017
Amy Zybarth	County Treasurer	Jan 2019
Sarah Hearst	County Recorder	Jan 2019
C.J. Ryan	County Sheriff	Nov 2016
Alan Ostergren	County Attorney	Jan 2019
Dale McCrea	County Assessor	Jan 2022

(After January 2017)

Name	Title	Term Expires
Matt Bonebrake	Board of Supervisors	Jan 2019
Robert Howard	Board of Supervisors	Jan 2019
Jeff Sorensen	Board of Supervisors	Jan 2019
Nathan Mather	Board of Supervisors	Jan 2021
Scott Sauer	Board of Supervisors	Jan 2021
Leslie Soule	County Auditor	Jan 2021
Amy Zybarth	County Treasurer	Jan 2019
Sarah Hearst	County Recorder	Jan 2019
C.J. Ryan	County Sheriff	Jan 2021
Alan Ostergren	County Attorney	Jan 2019
Dale McCrea	County Assessor	Jan 2022

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Independent Auditor's Report

To the Officials of Muscatine County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 54 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muscatine County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2018 on our consideration of Muscatine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness on the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Muscatine County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

January 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 2.3%, or approximately $716,000, from fiscal year 2016 to fiscal year 2017. Capital grants, contributions and restricted interest decreased approximately $1.4 million.
- Expenses of the County's governmental activities increased 6.2%, or approximately $1.7 million, from fiscal year 2016 to fiscal year 2017. Mental health function expenses decreased approximately $1.4 million, administration function expenses increased approximately $1.4 million, roads and transportation function expenses increased approximately $572,000, public safety and legal services function expenses increased approximately $528,000 and non-program function expenses increased approximately $404,000.
- Muscatine County's net position at June 30, 2017 increased 3.3%, or approximately $2 million, from the June 30, 2016 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 Muscatine County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service Funds for health insurance and County insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

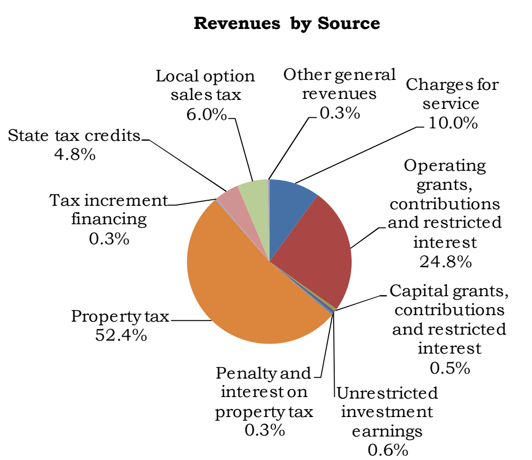
As noted earlier, net position may serve over time as a useful indicator of financial position. Muscatine County's combined net position increased from approximately $62.7 million to approximately $64.8 million. The analysis that follows focuses on the changes in the net position of governmental activities.

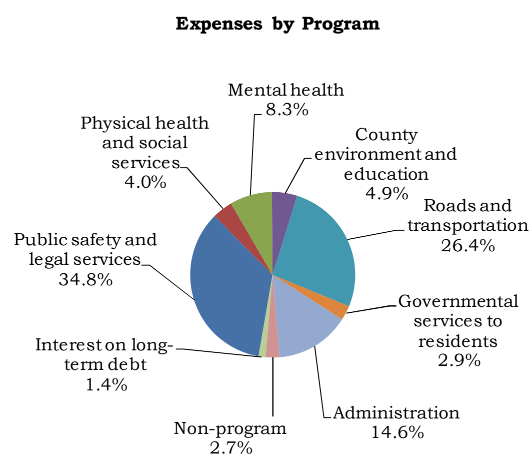
Net Position of Governmental Activities
(Expressed in Thousands)

	June 30, 2016	
	2017	2016
Current and other assets	$ 36,528	36,705
Capital assets	65,357	65,399
Total assets	101,885	102,104
Deferred outflows of resources	2,268	1,021
Long-term liabilities	21,464	21,599
Other liabilities	1,406	1,591
Total liabilities	22,870	23,190
Deferred inflows of resources	16,486	17,194
Net position:		
Net investment in capital assets	52,618	52,321
Restricted	7,589	7,499
Unrestricted	4,590	2,920
Total net position	$ 64,797	62,740

Net position of Muscatine County's governmental activities increased 3.3% (approximately $64.8 million compared to approximately $62.7 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately $1.7 million over the prior year, primarily due to General Fund revenues exceeding expenditures during the year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	$ 3,066	3,527
Operating grants, contributions and restricted interest	7,596	7,041
Capital grants, contributions and restricted interest	158	1,553
General revenues:		
Property tax	16,070	15,455
Tax increment financing	88	77
Penalty and interest on property tax	81	165
State tax credits	1,472	1,340
Local option sales tax	1,835	1,743
Unrestricted investment earnings	187	127
Other general revenues	93	334
Total revenues	30,646	31,362
Program expenses:		
Public safety and legal services	10,001	9,473
Physical health and social services	1,143	1,039
Mental health	2,365	3,723
County environment and education	1,388	1,335
Roads and transportation	7,537	6,965
Governmental services to residents	816	767
Administration	4,163	2,756
Non-program	773	369
Interest on long-term debt	403	487
Total expenses	28,589	26,914
Change in net position	2,057	4,448
Net position beginning of year	62,740	58,292
Net position end of year	$ 64,797	62,740





Muscatine County's governmental activities net position increased approximately $2 million during the year. Revenues for governmental activities decreased approximately $716,000 from the prior year, with capital grants, contributions and restricted interest down from the prior year approximately $1.4 million, or 89.9%. This decrease was primarily a result of fewer Iowa Department of Transportation funded road projects taking place during the year.

Muscatine County's general basic, general supplemental, and rural services basic levies were unchanged, the mental health levy increased $.02838 per $1,000 of taxable valuation and the debt service levy decreased $.02933 per $1,000 of taxable valuation. The rural taxable property valuation increased $27,167,339 and the countywide taxable property valuation increased $83,443,710.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately $17.5 million the same as the combined fund balance at the end of fiscal year 2016. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately $732,000 and expenditures decreased $216,000. Revenue increased primarily due to an increase in property tax revenue and intergovernmental receipts. The fund balance at the end of the fiscal year was approximately $8.9 million, an increase of approximately $1.3 million over the prior year.
- Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. In fiscal year 2017, revenues increased approximately $42,000 and expenditures decreased approximately $1,304,000. Revenue increased primarily due to property tax revenue. Expenditures decreased due to less services provided to clients. The fund balance at the end of the fiscal year was approximately $1.2 million, an increase of approximately $233,000 over the prior year.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately $204,000 from the prior year to approximately $945,000. There were no significant changes in revenues or expenditures.
- The Special Revenue, Secondary Roads Fund ending fund balance decreased approximately $569,000 from the prior year to approximately $2.7 million. There were no significant changes in revenues compared to the prior year. Expenditures increased by approximately $2 million due primarily to an increase in capital projects.
- The Debt Service Fund ending fund balance increased approximately $606,000 over the prior year to approximately $2.2 million. The increase is primarily due to a transfer from the General Fund assigned for future debt payments. Payments from the Debt Service Fund include principal and interest payments for the remodeling of the County Administration Building, County jail expansion/remodel, Courthouse HVAC replacement, courthouse window replacement, communication system and County building improvements.
- The Capital Projects Fund ending fund balance decreased approximately $1.4 million from the prior year to approximately $1.4 million. This decrease was primarily due to bond and note proceeds used during the year to fund projects.

BUDGETARY HIGHLIGHTS

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

Over the course of the year, Muscatine County amended the operating budget two times. The amendments were made in November 2016 and June 2017.

The first amendment increased grant budgeted receipts and disbursements and increased budgeted disbursements primarily for capital projects. The second amendment increased budgeted receipts for grant receipts and disbursements and increased budgeted disbursements for mental health and public safety.

The County's receipts were approximately $915,000 more than budgeted, a variance of 3.1%. Total disbursements were approximately $4.5 million less than the amended budget. Disbursements for the capital projects function were approximately $3 million less than budgeted due to projects not started in FY 2017. Disbursements in the debt service function exceeded the amount budgeted by approximately $100,000 due to higher than anticipated interest costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, Muscatine County had approximately $104 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. With total accumulated depreciation of approximately $38.7 million, Muscatine County's capital assets have a net book value of approximately $65.4 million, virtually unchanged from the previous year. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal year 2017, Muscatine County had $14,110,000 of long term debt outstanding, compared to approximately $15,880,000 at the end of fiscal year 2016.

Muscatine County's outstanding debt decreased as a result of the issuance of a general obligation refunding bond of $6,690,000 which was offset by the early retirement of the general obligation urban renewal bonds and scheduled principal repayments made in the current year. Muscatine County's general obligation bond rating continues to be the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Muscatine County's outstanding general obligation debt of $16,756,892, including development agreements of $2,646,892, is significantly below its constitutional debt limit of approximately $161 million. Additional information about the County's long-term debt is presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget and tax rates and the fees charged for various County activities. The amount available for appropriation in the fiscal year 2018 operating budget is approximately $41.9 million, a decrease of approximately 11.4% from the final fiscal year 2017 budget. Muscatine County's other operating fund balances are expected to decrease approximately $2.1 million to approximately $10.8 million by the close of fiscal year 2018.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Muscatine County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherry Seright at the Muscatine County Administration Office, 414 E 3rd Street, Suite 101, Muscatine, Iowa, 52761.

Basic Financial Statements

Muscatine County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	$ 18,735,528
Receivables:	
Property tax:	
Delinquent	52,000
Succeeding year	15,763,000
Succeeding year tax increment financing	82,000
Interest and penalty on property tax	143,191
Accounts	93,736
Accrued interest	26,608
Due from other governments	1,297,359
Inventories	200,428
Prepaid expenses	134,293
Capital assets, net of accumulated depreciation/amortization	65,356,440
Total assets	101,884,583
Deferred Outflows of Resources	
Pension related deferred outflows	2,268,171
Liabilities	
Accounts payable	1,075,721
Accrued interest payable	20,073
Salaries and benefits payable	285,475
Due to other governments	24,709
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	1,665,000
Compensated absences	646,688
Portion due or payable after one year:	
General obligation bonds/notes	12,445,000
Compensated absences	726,984
Net pension liability	5,718,124
Net OPEB liability	261,890
Total liabilities	22,869,664
Deferred Inflows of Resources	
Unavailable property tax revenue	15,925,000
Unavailable tax increment financing revenue	82,000
Pension related deferred inflows	478,862
Total deferred inflows of resources	16,485,862
Net Position	
Net investment in capital assets	52,617,798
Restricted for:	
Supplemental levy purposes	1,936,378
Mental health purposes	1,067,796
Rural services purposes	924,703
Secondary roads purposes	2,792,864
Conservation land acquisition	70,884
Debt service	568,012
Other purposes	228,883
Unrestricted	4,589,910
Total net position	$ 64,797,228

See notes to financial statements.

Muscatine County

Statement of Activities

Year ended June 30, 2017

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 10,000,726	1,584,872	1,805,705	-	(6,610,149)
Physical health and social services	1,143,443	106,460	299,221	-	(737,762)
Mental health	2,364,785	52,843	467,623	-	(1,844,319)
County environment and education	1,387,688	54,036	24,847	23,400	(1,285,405)
Roads and transportation	7,537,425	14,620	3,957,696	134,980	(3,430,129)
Governmental services to residents	816,177	670,326	5,303	-	(140,548)
Administration	4,162,458	65,282	213,035	-	(3,884,141)
Non-program	773,409	517,145	-	-	(256,264)
Interest on long-term debt	402,745	-	823,001	-	420,256
Total	$ 28,588,856	3,065,584	7,596,431	158,380	(17,768,461)
General Revenues:					
Property and other county tax levied for:					
General purposes					14,686,228
Debt service					1,383,611
Tax increment financing					88,317
Penalty and interest on property tax					80,503
State tax credits					1,471,862
Local option sales tax					1,834,732
Unrestricted investment earnings					186,476
Miscellaneous					93,494
Total general revenues					19,825,223
Change in net position					2,056,762
Net position beginning of year					62,740,466
Net position end of year					$ 64,797,228

See notes to financial statements.

Muscatine County

Balance Sheet
Governmental Funds

June 30, 2017

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	$ 9,120,595	1,259,726	969,670	2,381,783
Receivables:				
Property tax:				
Delinquent	34,000	6,000	8,000	-
Succeeding year	11,333,000	1,190,000	2,034,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	143,191	-	-	-
Accounts	89,836	1,735	-	171
Accrued interest	26,136	-	-	-
Due from other funds	-	-	-	5,771
Due from other governments	182,470	8,651	-	922,838
Inventories	-	-	-	200,428
Prepaid expenditures	134,293	-	-	-
Total assets	$ 21,063,521	2,466,112	3,011,670	3,510,991
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 285,458	82,400	288	333,571
Salaries and benefits payable	214,613	7,911	3,670	59,149
Due to other funds	5,570	16	185	-
Due to other governments	23,694	274	435	306
Total liabilities	529,335	90,601	4,578	393,026
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	11,442,000	1,209,000	2,054,000	-
Succeeding year tax increment financing	-	-	-	-
Other	207,751	13,871	8,000	446,625
Total deferred inflows of resources	11,649,751	1,222,871	2,062,000	446,625
Fund balances:				
Nonspendable:				
Inventories	-	-	-	200,428
Prepaid expenditures	134,293	-	-	-
Restricted for:				
Supplemental levy purposes	2,091,140	-	-	-
Mental health purposes	-	1,152,640	-	-
Rural services purposes	-	-	945,092	-
Secondary roads purposes	-	-	-	2,470,912
Conservation land acquisition	70,884	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Building maintenance	1,175,000	-	-	-
Debt service	-	-	-	-
Unassigned	5,413,118	-	-	-
Total fund balances	8,884,435	1,152,640	945,092	2,671,340
Total liabilities, deferred inflows of resources and fund balances	$ 21,063,521	2,466,112	3,011,670	3,510,991

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
2,034,685	1,381,475	229,932	17,377,866
4,000	-	-	52,000
1,206,000	-	-	15,763,000
-	-	82,000	82,000
-	-	-	143,191
-	-	-	91,742
-	-	-	26,136
-	-	-	5,771
183,400	-	-	1,297,359
-	-	-	200,428
-	-	-	134,293
3,428,085	1,381,475	311,932	35,173,786
-	10,117	917	712,751
-	-	132	285,475
-	-	-	5,771
-	-	-	24,709
-	10,117	1,049	1,028,706
1,220,000	-	-	15,925,000
-	-	82,000	82,000
4,000	-	-	680,247
1,224,000	-	82,000	16,687,247
-	-	-	200,428
-	-	-	134,293
-	-	-	2,091,140
-	-	-	1,152,640
-	-	-	945,092
-	-	-	2,470,912
-	-	-	70,884
584,085	-	-	584,085
-	1,371,358	-	1,371,358
-	-	228,883	228,883
-	-	-	1,175,000
1,620,000	-	-	1,620,000
-	-	-	5,413,118
2,204,085	1,371,358	228,883	17,457,833
3,428,085	1,381,475	311,932	35,173,786

Muscatine County

Muscatine County

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

June 30, 2017

Total governmental fund balances (page 19)		$ 17,457,833
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 $104,006,786 and the accumulated depreciation/amortization is $38,650,346.		65,356,440
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.		680,247
The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position.		997,158
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	$ 2,268,171	
Deferred inflows of resources	(478,862)	1,789,309
Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(21,483,759)
Net position of governmental activities (page 16)		$ 64,797,228

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2017

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 10,792,114	1,912,539	1,989,575	-
Local option sales tax	-	-	-	1,834,732
Tax increment financing	-	-	-	-
Interest and penalty on property tax	135,312	-	-	-
Intergovernmental	4,324,193	203,481	136,873	3,724,792
Licenses and permits	100	-	95,984	14,545
Charges for service	1,062,769	52,843	-	75
Use of money and property	780,955	-	-	-
Miscellaneous	269,890	8,023	4,705	3,320
Total revenues	17,365,333	2,176,886	2,227,137	5,577,464
Expenditures:				
Operating:				
Public safety and legal services	9,358,587	-	-	-
Physical health and social services	1,044,822	-	78,930	-
Mental health	402,138	1,916,072	-	-
County environment and education	812,365	-	364,356	-
Roads and transportation	-	-	-	6,623,286
Governmental services to residents	819,187	-	2,743	-
Administration	2,872,291	-	-	-
Debt service	-	-	-	-
Capital projects	30,696	-	-	1,773,482
Total expenditures	15,340,086	1,916,072	446,029	8,396,768
Excess (deficiency) of revenues over (under) expenditures	2,025,247	260,814	1,781,108	(2,819,304)
Other financing sources (uses):				
Sale of capital assets	23,435	-	-	317
Transfers in	63,332	-	-	2,250,000
Transfers out	(800,000)	(27,832)	(1,985,500)	-
General obligation bonds issued	-	-	-	-
Premium on bonds sold	-	-	-	-
General obligation bonds refunded	-	-	-	-
Total other financing sources (uses)	(713,233)	(27,832)	(1,985,500)	2,250,317
Change in fund balances	1,312,014	232,982	(204,392)	(568,987)
Fund balances beginning of year	7,572,421	919,658	1,149,484	3,240,327
Fund balances end of year	$ 8,884,435	1,152,640	945,092	2,671,340

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,384,611	-	-	16,078,839
-	-	-	1,834,732
-	-	88,317	88,317
-	-	-	135,312
954,771	-	23,465	9,367,575
-	-	-	110,629
-	-	7,122	1,122,809
23,938	-	319	805,212
-	-	-	285,938
2,363,320	-	119,223	29,829,363
-	-	5,718	9,364,305
-	-	-	1,123,752
-	-	-	2,318,210
-	-	95,063	1,271,784
-	-	-	6,623,286
-	-	6,798	828,728
-	-	-	2,872,291
2,355,330	-	-	2,355,330
-	1,653,362	-	3,457,540
2,355,330	1,653,362	107,579	30,215,226
7,990	(1,653,362)	11,644	(385,863)
-	222,436	-	246,188
500,000	-	-	2,813,332
-	-	-	(2,813,332)
6,619,400	-	-	6,619,400
318,846	-	-	318,846
(6,840,000)	-	-	(6,840,000)
598,246	222,436	-	344,434
606,236	(1,430,926)	11,644	(41,429)
1,597,849	2,802,284	217,239	17,499,262
2,204,085	1,371,358	228,883	17,457,833

Muscatine County

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

Year ended June 30, 2017

Change in fund balances - Total governmental funds (page 23)		$ (41,429)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:		
Expenditures for capital assets	$ 4,556,248	
Capital assets contributed by the Iowa Department of Transportation	134,980	
Depreciation/amortization expense	(3,499,589)	1,191,639
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(1,234,143)
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	(9,000)	
Other	211,537	202,537
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 repayments exceeded issuances, as follows:		
Issued	(6,619,400)	
Repaid	8,460,000	1,840,600
The current year County share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		875,286
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	(47,608)	
Other postemployment benefits	(3,324)	
Pension expense	(752,120)	
Interest on long-term debt	13,739	(789,313)
The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.		11,585
Change in net position of governmental activities (page 17)		$ 2,056,762

See notes to financial statements.

Muscatine County

Statement of Net Position
Proprietary Funds

June 30, 2017

		Internal Service
Assets		
Cash and cash equivalents	$	1,357,662
Receivables:		
Accounts		1,994
Accrued interest		472
Total assets		1,360,128
Current Liabilities		
Accounts payable		362,970
Net Position		
Unrestricted	$	997,158

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2017

		Internal Service
Operating revenues:		
Reimbursements from operating funds		$ 2,273,230
Reimbursements from employees and others		372,134
Total operating revenues		2,645,364
Operating expenses:		
Health claims and administrative services	$ 2,395,805	
Loss contingencies and deductibles	240,665	2,636,470
Operating income		8,894
Non-operating revenues:		
Interest income		2,691
Net income		11,585
Net position beginning of year		985,573
Net position end of year		$ 997,158

See notes to financial statements.

Muscatine County

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2017

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	$ 2,273,230
Cash received from employees and others	397,391
Cash paid to suppliers for services	(2,533,501)
Net cash provided by operating activities	137,120
Cash flows from investing activities:	
Interest on investments	2,400
Net increase in cash and cash equivalents	139,520
Cash and cash equivalents beginning of year	1,218,142
Cash and cash equivalents end of year	$ 1,357,662
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 8,894
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	25,255
Increase in accounts payable	102,971
Net cash provided by operating activities	$ 137,120

See notes to financial statements.

Muscatine County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	$ 3,992,917
Other County officials	1,034,883
Receivables:	
Property tax:	
Delinquent	133,957
Succeeding year	48,907,000
Accounts	26,576
Assessments	106,928
Loan receivable	60,000
Due from other governments	98,797
Total assets	54,361,058
Liabilities	
Accounts payable	10,200
Salaries and benefits payable	29,691
Due to other governments	52,833,448
Trusts payable	1,360,197
Compensated absences	127,522
Total liabilities	54,361,058
Net position	$ -

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Muscatine County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

Assessments Receivable – Assessments receivable represent amounts assessed to individuals for work done which benefit their property. These assessments are payable by individuals no 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. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions by the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied and unrecognized items not yet credited to pension expense.

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.

Net Position – The net position of the Internal Service, Health Insurance Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $500,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	$ 5,570
	Special Revenue:	
	Mental Health	16
	Rural Services	185
Total		$ 5,771

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, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Rural Services	$ 35,500
	Mental Health	27,832
Special Revenue:		
Secondary Roads	General	300,000
	Special Revenue:	
	Rural Services	1,950,000
Debt Service	General	500,000
Total		$ 2,813,332

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, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	$ 2,126,071	171,316	(24,900)	2,272,487
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	3,694,995	961,076	(3,971,120)	684,951
Construction in progress, road network	346,613	1,897,160	(2,138,645)	105,128
Total capital assets not being depreciated/amortized	7,363,392	3,029,552	(6,134,665)	4,258,279
Capital assets being depreciated/amortized:				
Buildings and improvements	36,505,336	280,291	(4,639,906)	32,145,721
Equipment and vehicles	8,851,879	5,902,187	(1,644,267)	13,109,799
Intangibles	372,167	-	-	372,167
Infrastructure, road network	50,725,761	2,138,645	-	52,864,406
Infrastructure, other	1,207,663	48,751	-	1,256,414
Total capital assets being depreciated/amortized	97,662,806	8,369,874	(6,284,173)	99,748,507
Less accumulated depreciation/amortization for:				
Buildings and improvements	13,398,641	806,850	(3,127,752)	11,077,739
Equipment and vehicles	4,641,172	1,348,885	(1,348,745)	4,641,312
Intangibles	329,205	8,593	-	337,798
Infrastructure, road network	20,820,486	1,283,437	-	22,103,923
Infrastructure, other	437,750	51,824	-	489,574
Total accumulated depreciation/amortization	39,627,254	3,499,589	(4,476,497)	38,650,346
Total capital assets being depreciated/amortized, net	58,035,552	4,870,285	(1,807,676)	61,098,161
Governmental activities capital assets, net	$ 65,398,944	7,899,837	(7,942,341)	65,356,440

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 1,045,062
Physical health and social services	33,497
Mental health	72,959
County environment and education	183,129
Roads and transportation	1,865,591
Governmental services to residents	28,112
Administration	271,239
Total depreciation/amortization expense - governmental activities	$ 3,499,589

(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, 2017 is as follows:

Fund	Description	Amount
General	Services	$ 23,694
Special Revenue:		
Mental Health	Services	274
Rural Services	Services	435
Secondary Roads	Services	306
		1,015
Total for governmental funds		$ 24,709
Agency:		
County Assessor	Collections	$ 856,428
Schools		27,831,472
Community Colleges		1,931,187
Corporations		18,573,259
Townships		467,188
Auto License and Use Tax		1,117,197
Drainage Districts		801,745
All other		1,254,972
Total for agency funds		$ 52,833,448

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation County Building Improvement Note	General Obligation County Refunding Bonds	General Obligation Urban Renewal Refunding Bonds	General Obligation Urban Renewal Bonds	Compen-sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 2,250,000	6,365,000	-	7,265,000	1,326,064	4,063,879	258,566	21,528,509
Increases	-	-	6,690,000	-	884,038	1,654,245	66,390	9,294,673
Decreases	375,000	820,000	-	7,265,000	836,430	-	63,066	9,359,496
Balance end of year	$ 1,875,000	5,545,000	6,690,000	-	1,373,672	5,718,124	261,890	21,463,686
Due within one year	$ 375,000	810,000	480,000	-	646,688	-	-	2,311,688

Notes Payable

A summary of the County's June 30, 2017 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	County Building Improvement Note Principal	Interest	Total
2018	1.50%	$ 375,000	28,125	403,125
2019	1.50	375,000	22,500	397,500
2020	1.50	375,000	16,875	391,875
2021	1.50	375,000	11,250	386,250
2022	1.50	375,000	5,625	380,625
Total		$ 1,875,000	84,375	1,959,375

The County retired $375,000 of general obligation notes during the year.

General Obligation Bonds

A summary of the County's June 30, 2017 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016A) Principal	Interest	Total
2018	1.50%	$ 810,000	89,638	899,638
2019	1.50	805,000	77,487	882,487
2020	1.50	805,000	65,413	870,413
2021	1.50	800,000	53,337	853,337
2022	1.50	690,000	41,337	731,337
2023-2026	1.75-2.00	1,635,000	57,988	1,692,988
Total		$ 5,545,000	385,200	5,930,200

The County retired $820,000 of general obligation bonds during the year.

General Obligation Urban Renewal Bonds

A summary of the County's June 30, 2017 general obligation urban renewal bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016B) Principal	Interest	Total
2018	1.50%	$ 480,000	135,573	615,573
2019	1.50	485,000	128,372	613,372
2020	2.00	500,000	121,098	621,098
2021	2.00	510,000	111,097	621,097
2022	2.00	530,000	100,898	630,898
2023-2027	2.00-2.25	2,895,000	337,997	3,232,997
2028-2032	2.30	1,290,000	44,735	1,334,735
Total		$ 6,690,000	979,770	7,669,770

On July 27, 2016, the County issued $6,690,000 of general obligation urban renewal refunding bonds with interest rates ranging from 1.5% to 2.3% per annum. The bonds were issued for the purpose of refunding the outstanding balance of the County's general obligation urban renewal jail improvement bonds, taxable series 2009. The County refunded the bonds to reduce its total debt service payments by approximately $942,700 and to obtain an economic gain (difference between the present value of debt services payments on the old and new debt) of approximately $868,000.

The County retired $7,265,000 of general obligation urban renewal bonds during the year.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive 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 at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93%, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84%, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled $875,286.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of $5,718,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County's collective proportion was 0.090860%, which was an increase of 0.008603% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $752,120. At June 30, 2017, 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	$	45,186	156,402
Changes of assumptions		78,004	32,724
Net difference between projected and actual earnings on IPERS' investments		1,269,466	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions		229	289,736
County contributions subsequent to the measurement date		875,286	-
Total	$	2,268,171	478,862

$875,286 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
2018	$	6,945
2019		6,945
2020		569,034
2021		343,155
2022		(12,056)
Total	$	914,023

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$ 10,940,730	5,718,124	1,315,729

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

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, 2017.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/dental/prescription drug benefits for employees, retirees and their spouses. There are 183 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$	66,322
Interest on net OPEB obligation		10,343
Adjustment to annual required contribution		(10,275)
Annual OPEB cost		66,390
Contributions made		(63,066)
Increase in net OPEB obligation		3,324
Net OPEB obligation beginning of year		258,566
Net OPEB obligation end of year	$	261,890

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed $63,066 to the medical plan. Plan members eligible for benefits contributed $76,105 or 54.7% of the premium costs.

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

Year Ended June 30,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2015	$	74,395	77.8%	$	249,247
2016		72,388	87.1		258,566
2017		66,390	95.0		261,890

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was $730,898 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $730,898. The covered payroll (annual payroll of active employees covered by the plan) was approximately $8,588,000 and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the SOA RPH-2014 Total Dataset Mortality Table. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2017 and applying the termination factors used in the IPERS Actuarial report as of June 30, 2017.

Projected claim costs of the medical plan for retirees less than age 65 are $1,213 per month. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the 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, 2017 were $247,120.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $5,000,000 and $250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Health Insurance Trust Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $75,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County's contribution for the year ended June 30, 2017 was $2,253,230.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2017 total $362,034, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was $934,128 at June 30, 2017 and is reported as a designation of the Internal Service, Health Insurance Trust Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	$ 260,000
Incurred claims (including claims incurred but not reported at June 30, 2017)	2,395,805
Payment on claims during the fiscal year	(2,293,771)
Unpaid claims end of year	$ 362,034

(12) Development Agreements

In November 2010, the County entered into a development agreement with SSAB Iowa, Inc. Under the agreement, SSAB agreed to construct a research and development center and the County agreed to provide a combination of property tax abatement and tax increment rebates. The total to be paid by the County under the agreement is not to exceed $2,650,000. During the year $60,516 was rebated and as of June 30, 2017, a total of $197,214 had been rebated under the agreement, leaving an outstanding balance at June 30, 2017 of $2,452,786.

In July 2013, the County entered into a development agreement with Van Meter, Inc. Under the agreement, Van Meter, Inc. agreed to construct a warehouse and the County agreed to provide economic development tax increment payments to the developer, not to exceed $250,000. During the year $27,801 was rebated and as of June 30, 2017, a total of $55,894 had been rebated under the agreement, leaving an outstanding balance at June 30, 2017 of $194,106.

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

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2017, the County abated $35,497 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Muscatine	Urban renewal and economic development projects	$ 239,543
City of Wilton	Urban renewal and economic development projects	$ 31,897
City of Blue Grass	Urban renewal and economic development projects	$ 127,520

(14) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2017:

Additions:		
Contributions from Muscatine County		$ 929,473
Miscellaneous		110
Total additions		929,583
Deductions:		
Salaries	$ 508,259	
Benefits	194,485	
Office supplies	4,696	
Legal representation	550	
Postage and publications	307	
Telephone and internet	1,094	
Travel	797	
Capital projects	154,946	
Training	6,343	
Equipment replacement	8,617	
Maintenance and rentals	128,707	
Insurance	21,771	
Miscellaneous	413	1,030,985
Net		(101,402)
Balance beginning of year		613,469
Balance end of year		$ 512,067

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2017:

Additions:		
Grant reimbursements		$ 44,217
Reimbursements from special investigations		25,732
Restitution		3,913
Forfeiture		32,892
Miscellaneous		1,496
Total additions		108,250
Deductions:		
Reimbursements to governmental units	$ 38,387	
Office supplies and equipment	3,360	
Utilities	7,447	
Medical	991	
Training	2,028	
Furniture and equipment	3,800	
Investigations	33,808	
Miscellaneous	29,224	119,045
Net		(10,795)
Balance beginning of year		183,324
Balance end of year		$ 172,529

(15) Industrial Development Revenue Notes

In May 2013, the County issued $6,000,000 of industrial development revenue notes under the provisions of Chapter 419 of the Code of Iowa on behalf of the Lutheran Homes Society. The notes and related interest are not a liability of the County but are payable solely and only from the revenues derived by the property constructed by the Lutheran Homes Society. The outstanding principal balance was $5,764,114 as of June 30, 2017.

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

Eastern Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Cedar County, Clinton County, Jackson County, Scott County and Muscatine County. The financial activity of Muscatine County's Special Revenue, Mental Health Fund is included in the Eastern Iowa Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		$ 1,912,539
Intergovernmental revenues:		
State tax credits	$ 182,537	
Other intergovernmental revenues	20,944	203,481
Charges for service		52,843
Miscellaneous		8,023
Total revenues		2,176,886
Expenditures:		
Services to persons with:		
Mental illness	784,828	
Intellectual disabilities	457,249	
Other developmental disabilities	75,651	1,317,728
General administration:		
Direct administration	147,539	
Distribution to regional fiscal agent	450,805	598,344
Total expenditures		1,916,072
Excess of revenues over expenditures		260,814
Other financing uses:		
Transfers out		(27,832)
Change in fund balance		232,982
Fund balance beginning of the year		919,658
Fund balance end of the year		$ 1,152,640

(17) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the County's tax abatements and tax abatements of other entities which impact the County.

(18) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

Muscatine County

Required Supplementary Information

Muscatine County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts:				
Property tax	$ 15,668,973	15,803,924	15,803,924	(134,951)
Tax increment financing and other county tax	2,471,299	2,262,148	2,264,148	207,151
Interest and penalty on property tax	135,312	132,000	132,000	3,312
Intergovernmental	9,487,858	8,335,075	8,954,008	533,850
Licenses and permits	111,804	86,150	86,150	25,654
Charges for service	1,132,506	932,728	947,728	184,778
Use of money and property	834,035	533,935	682,135	151,900
Miscellaneous	316,478	333,875	373,360	(56,882)
Total receipts	30,158,265	28,419,835	29,243,453	914,812
Disbursements:				
Public safety and legal services	9,484,691	9,794,503	10,068,356	583,665
Physical health and social services	1,086,233	1,217,212	1,260,662	174,429
Mental health	2,335,887	2,293,507	2,591,302	255,415
County environment and education	1,186,642	1,292,027	1,307,167	120,525
Roads and transportation	6,521,918	6,660,000	6,660,000	138,082
Governmental services to residents	822,174	870,163	870,163	47,989
Administration	2,869,832	3,037,495	3,197,779	327,947
Debt service	2,600,952	2,381,350	2,501,186	(99,766)
Capital projects	3,571,667	4,952,000	6,538,000	2,966,333
Total disbursements	30,479,996	32,498,257	34,994,615	4,514,619
Excess (deficiency) of receipts over (under) disbursements	(321,731)	(4,078,422)	(5,751,162)	5,429,431
Other financing sources, net	462,681	1,046,000	1,046,000	(583,319)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	140,950	(3,032,422)	(4,705,162)	4,846,112
Balance beginning of year	17,236,916	13,422,000	17,006,725	230,191
Balance end of year	$ 17,377,866	10,389,578	12,301,563	5,076,303

See accompanying independent auditor's report.

Muscatine County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 30,158,265	(328,902)	29,829,363
Expenditures	30,479,996	(264,770)	30,215,226
Net	(321,731)	(64,132)	(385,863)
Other financing sources, net	462,681	(118,247)	344,434
Beginning fund balances	17,236,916	262,346	17,499,262
Ending fund balances	$ 17,377,866	79,967	17,457,833

See accompanying independent auditor's report.

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $2,496,358. 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, 2017, disbursements exceed the amount budgeted in the debt service function.

Muscatine County

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

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

Required Supplementary Information

		2017	2016	2015
County's proportion of the net pension liability		0.090860%	0.082257%	0.076187%
County's proportionate share of the net pension liability	$	5,718	4,064	3,022
County's covered-employee payroll	$	9,110	8,939	8,908
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		62.77%	45.46%	33.92%
IPERS' net position as a percentage of the total pension liability		81.82%	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.

Muscatine County

Schedule of County Contributions

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

Required Supplementary Information

		2017	2016	2015	2014
Statutorily required contribution	$	875	845	833	830
Contributions in relation to the statutorily required contribution		(875)	(845)	(833)	(830)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	9,497	9,110	8,939	8,908
Contributions as a percentage of covered-employee payroll		9.21%	9.28%	9.32%	9.32%

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

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
854	829	666	614	564	459
(854)	(829)	(666)	(614)	(564)	(459)
-	-	-	-	-	-
9,282	9,468	8,513	8,480	8,164	*
9.20%	8.76%	7.82%	7.24%	6.91%	*

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 (unfunded actuarial liability) 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.

Muscatine County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008		$ 553	553	0.0%	$ 7,788	7.1%
2010	Jul 1, 2008	-	553	553	0.0	7,910	7.0
2011	Jul 1, 2008	-	589	589	0.0	8,076	7.3
2012	Jul 1, 2011	-	944	944	0.0	8,429	11.2
2013	Jul 1, 2011	-	920	920	0.0	8,682	10.6
2014	Jul 1, 2011	-	845	845	0.0	8,942	9.5
2015	Jul 1, 2014	-	846	846	0.0	8,095	10.4
2016	Jul 1, 2014	-	807	807	0.0	8,338	9.7
2017	Jul 1, 2014	-	731	731	0.0	8,588	8.5

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.

Muscatine County

Supplementary Information

Muscatine County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

	Special		
	County Recorder's Records Management	Resource Enhancement and Protection	County Sheriff's Forfeiture
Assets			
Cash, cash equivalents and pooled investments	$ 24,470	119,636	78,440
Receivables:			
Succeeding year tax increment financing	-	-	-
Total assets	$ 24,470	119,636	78,440
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 917	-	-
Salaries payable	-	132	-
Total liabilities	917	132	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Fund balances:			
Restricted for other purposes	23,553	119,504	78,440
Total liabilities, deferred inflows of resources and fund balances	$ 24,470	119,636	78,440

See accompanying independent auditor's report.

Revenue		
County Attorney's Forfeiture	Tax Increment Financing	Total
7,386	-	229,932
-	82,000	82,000
7,386	82,000	311,932
-	-	917
-	-	132
-	-	1,049
-	82,000	82,000
7,386	-	228,883
7,386	82,000	311,932

Muscatine County

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

Year ended June 30, 2017

	Special		
	County Recorder's Records Management	Resource Enhancement and Protection	County Sheriff's Forfeiture
Revenues:			
Tax increment financing	$ -	-	-
Intergovernmental	-	23,465	-
Charges for service	7,122	-	-
Use of money and property	22	297	-
Total revenues	7,144	23,762	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	5,718
County environment and education	-	6,746	-
Governmental services to residents	6,798	-	-
Total expenditures	6,798	6,746	5,718
Excess (deficiency) of revenues over (under) expenditures	346	17,016	(5,718)
Fund balances beginning of year	23,207	102,488	84,158
Fund balances end of year	$ 23,553	119,504	78,440

See accompanying independent auditor's report.

Revenue		
County Attorney's Forfeiture	Tax Increment Financing	Total
-	88,317	88,317
-	-	23,465
-	-	7,122
-	-	319
-	88,317	119,223
-	-	5,718
-	88,317	95,063
-	-	6,798
-	88,317	107,579
-	-	11,644
7,386	-	217,239
7,386	-	228,883

Muscatine County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2017

	Health Insurance Trust	County Insurance Trust	Total
Assets			
Cash and cash equivalents	$ 1,295,664	61,998	1,357,662
Receivables:			
Accounts	26	1,968	1,994
Accrued interest	472	-	472
Total assets	1,296,162	63,966	1,360,128
Liabilities			
Accounts payable	362,034	936	362,970
Net Position			
Unrestricted	$ 934,128	63,030	997,158

See accompanying independent auditor's report.

Muscatine County

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

Year ended June 30, 2017

	Health Insurance Trust	County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	$ 2,253,230	20,000	2,273,230
Reimbursements from others	196,907	175,227	372,134
Total operating revenues	2,450,137	195,227	2,645,364
Operating expenses:			
Health claims and administrative services	2,395,805	-	2,395,805
Loss contingencies and deductibles	-	240,665	240,665
Total operating expenses	2,395,805	240,665	2,636,470
Operating income (loss)	54,332	(45,438)	8,894
Non-operating revenues:			
Interest income	2,691	-	2,691
Net income (loss)	57,023	(45,438)	11,585
Net position beginning of year	877,105	108,468	985,573
Net position end of year	$ 934,128	63,030	997,158

See accompanying independent auditor's report.

Muscatine County

Muscatine County

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2017

	Health Insurance Trust	County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	$ 2,253,230	20,000	2,273,230
Cash received from others	224,131	173,260	397,391
Cash paid to suppliers for services	(2,293,771)	(239,730)	(2,533,501)
Net cash provided (used) by operating activities	183,590	(46,470)	137,120
Cash flows from investing activites:			
Interest on investments	2,400	-	2,400
Net increase (decrease) in cash and cash equivalents	185,990	(46,470)	139,520
Cash and cash equivalents beginning of year	1,109,674	108,468	1,218,142
Cash and cash equivalents end of year	$ 1,295,664	61,998	1,357,662
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 54,332	(45,438)	8,894
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	27,223	(1,968)	25,255
Increase in accounts payable	102,035	936	102,971
Net cash provided (used) by operating activities	$ 183,590	(46,470)	137,120

See accompanying independent auditor's report.

Muscatine County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	$ -	2,660	360,721	284,272	18,570	162,972
Other County officials	868,184	-	-	-	-	-
Receivables:						
Property tax:			-	-	-	
Delinquent	-	805	2,240	87,336	5,617	35,359
Succeeding year	-	266,000	572,000	27,407,000	1,907,000	18,268,000
Accounts	923	-	-	-	-	-
Assessments	-	-	-	-	-	106,928
Loan receivable	-	-	-	-	-	-
Due from other governments	-	-	-	52,864	-	-
Total assets	$ 869,107	269,465	934,961	27,831,472	1,931,187	18,573,259
Liabilities						
Liabilities:						
Accounts payable	$ -	-	1,789	-	-	-
Salaries and benefits payable	-	-	7,959	-	-	-
Due to other governments	30,555	269,465	856,428	27,831,472	1,931,187	18,573,259
Trusts payable	838,552	-	-	-	-	-
Compensated absences	-	-	68,785	-	-	-
Total liabilities	$ 869,107	269,465	934,961	27,831,472	1,931,187	18,573,259

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
4,893	1,117,197	741,745	512,067	5,830	781,990	3,992,917
-	-	-	-	166,699	-	1,034,883
2,295	-	-	-	-	305	133,957
460,000	-	-	-	-	27,000	48,907,000
-	-	-	-	-	25,653	26,576
-	-	-	-	-	-	106,928
-	-	60,000	-	-	-	60,000
-	-	-	-	-	45,933	98,797
467,188	1,117,197	801,745	512,067	172,529	880,881	54,361,058
-	-	-	-	-	8,411	10,200
-	-	-	-	-	21,732	29,691
467,188	1,117,197	801,745	463,600	172,529	318,823	52,833,448
-	-	-	-	-	521,645	1,360,197
-	-	-	48,467	-	10,270	127,522
467,188	1,117,197	801,745	512,067	172,529	880,881	54,361,058

Muscatine County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets and Liabilities						
Balances beginning of year	$ 683,423	261,244	972,889	27,864,238	1,841,383	17,392,773
Additions:						
Property and other county tax	-	265,608	567,371	27,396,746	1,901,423	18,356,313
E-911 surcharge	-	-	-	-	-	-
State tax credits	-	24,603	68,481	2,629,368	172,672	1,942,428
Office fees and collections	757,048	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	95,200
Trusts	4,575,168	-	-	-	-	-
Miscellaneous	3,961		1,165	105,335	-	-
Total additions	5,336,177	290,211	637,017	30,131,449	2,074,095	20,393,941
Deductions:						
Agency remittances:						
To other funds	399,704	-	-	-	-	-
To other governments	354,607	281,990	674,945	30,164,215	1,984,291	19,213,455
Trusts paid out	4,396,182	-	-	-	-	-
Total deductions	5,150,493	281,990	674,945	30,164,215	1,984,291	19,213,455
Balances end of year	$ 869,107	269,465	934,961	27,831,472	1,931,187	18,573,259

See accompanying independent auditor’s report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
457,017	1,155,617	779,364	613,469	183,324	923,854	53,128,595
458,321	-	-	-	-	1,612,114	50,557,896
-	-	-	-	-	193,728	193,728
30,123	-	-	-	-	1,681	4,869,356
-	-	-	-	-	-	757,048
-	12,844,619	-	-	-	-	12,844,619
-	-	177,879	-	-	-	273,079
-	-	-	-	-	465,100	5,040,268
-	-	8,928	929,583	108,250	375,087	1,532,309
488,444	12,844,619	186,807	929,583	108,250	2,647,710	76,068,303
-	412,051	-	-	-	-	811,755
478,273	12,470,988	164,426	1,030,985	119,045	2,225,583	69,162,803
-	-	-	-	-	465,100	4,861,282
478,273	12,883,039	164,426	1,030,985	119,045	2,690,683	74,835,840
467,188	1,117,197	801,745	512,067	172,529	880,881	54,361,058

Muscatine County

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

For the Last Ten Years

	2017	2016	2015	Modified 2014
Revenues:				
Property and other county tax	$ 16,078,839	15,451,678	15,270,600	15,361,152
Local option sales tax	1,834,732	1,742,843	1,748,584	1,674,268
Tax increment financing	88,317	76,889	38,696	28,799
Interest and penalty on property tax	135,312	140,335	137,528	26,500
Intergovernmental	9,367,575	9,583,356	7,930,172	8,736,740
Licenses and permits	110,629	96,334	98,809	79,010
Charges for service	1,122,809	1,092,826	994,284	1,045,893
Use of money and property	805,212	754,263	543,784	537,210
Miscellaneous	285,938	439,513	588,395	349,462
Total	$ 29,829,363	29,378,037	27,350,852	27,839,034
Expenditures:				
Operating:				
Public safety and legal services	$ 9,364,305	9,466,411	8,917,179	8,502,516
Physical health and social services	1,123,752	1,052,397	1,078,192	1,165,740
Mental health	2,318,210	3,677,254	3,013,461	2,481,692
County environment and education	1,271,784	1,283,865	1,127,924	1,012,652
Roads and transportation	6,623,286	6,039,385	5,984,880	5,123,328
Governmental services to residents	828,728	782,245	743,278	783,569
Administration	2,872,291	2,773,214	2,781,434	2,575,095
Non-program	-	-	-	-
Debt service	2,355,330	8,600,742	1,808,964	1,630,158
Capital projects	3,457,540	4,205,733	1,544,236	4,796,032
Total	$ 30,215,226	37,881,246	26,999,548	28,070,782

See accompanying independent auditor’s report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
15,013,220	14,501,893	14,082,221	13,301,678	12,374,917	11,687,141
1,578,784	1,660,363	1,515,990	1,569,049	1,890,098	1,525,736
20,326	2,646,694	2,524,868	2,426,949	2,710,391	2,779,066
137,636	142,125	163,591	143,331	158,370	177,397
8,407,267	12,088,460	9,343,296	9,280,544	9,625,903	7,279,800
69,129	56,217	49,240	57,704	58,197	71,353
1,049,328	1,014,654	999,475	949,125	786,881	953,362
728,408	529,790	333,308	336,494	476,709	671,957
229,717	255,121	115,649	163,573	277,782	119,239
27,233,815	32,895,317	29,127,638	28,228,447	28,359,248	25,265,051
9,230,897	9,097,021	7,905,440	7,263,162	6,661,244	6,430,196
1,111,050	1,165,653	1,178,269	1,295,177	1,518,634	1,397,525
2,555,780	6,145,291	5,068,043	4,673,403	4,686,393	4,899,395
924,589	920,798	1,396,550	1,611,528	1,514,371	855,660
5,082,667	5,284,511	4,101,712	6,087,223	6,741,764	3,995,683
758,477	920,329	820,077	874,604	819,374	744,212
2,700,947	2,713,389	2,562,491	2,526,382	2,486,510	2,202,626
-	-	-	-	-	482
1,574,173	4,461,871	4,175,606	3,835,638	3,908,576	3,862,312
2,895,030	1,219,947	7,032,504	5,338,057	1,004,988	2,229,263
26,833,610	31,928,810	34,240,692	33,505,174	29,341,854	26,617,354

Muscatine County

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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

To the Officials of Muscatine County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2018.

<u>Internal Control Over Financial Reporting</u>

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Muscatine County's Responses to the Findings

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

Purpose of this Report

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

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

January 29, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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 – During the audit, we identified material amounts of receivables and deferred inflows of resources not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – 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 and deferred inflows of resources are identified and properly reported in the County's financial statements.

Response – We will review our procedures to ensure receivables and deferred inflows are properly recorded.

Conclusion – Response accepted.

(B) 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:

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

Community Services – The bank reconciliations are not reviewed by a person who is not responsible for receipts and disbursements. Also, the initial listing of money and checks received is not compared with the cash receipts records and the bank deposit by a person not preparing the list or involved in maintaining the accounting records.

County Sheriff – No evidence of review exists of the reconciliation of initial listing of money and checks received to deposits.

County Attorney – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements.

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.

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

Responses –

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

Community Services – Bank reconciliations will be reviewed by a person not responsible for receipts and disbursements. The log of receipt of checks and money will be reviewed and compared to the bank deposit by a person not responsible for logging in cash or checks. There will be documentation in the form of a log sheet that will be initialed by the person comparing the receipt and deposit log.

County Sheriff – This recommendation is being implemented.

County Attorney – We will separate these duties among staff.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will make every effort to ensure that future disbursements do not exceed budget.

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
Matt Bowers, Deputy Sheriff, Owner of Blueline EVS, LLC	Vehicle repair/outfitting	$ 10,021

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

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

Response – We will discuss with the County Sheriff the requirement to competitively bid these services.

Conclusion – Response accepted.

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

(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) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

(10) 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, 2017 for the County Extension Office did not exceed the amount budgeted.

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

1) Chapter 28E(6)(3)(a) of the Code of Iowa requires the Muscatine County Drug Task Force to publish a summary of the proceedings of each regular, adjourned, or special meeting, a schedule of bills allowed after adjournment of the meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity. Minutes of meetings should include date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. The Muscatine County Drug Task Force did not comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.

2) The Department of Justice, Equitable Sharing Agreement, Internal Controls, states, in part, "State funds from state and local forfeitures and other sources must not be commingled with federal sharing funds." The Muscatine County Drug Task Force does not have separate accounts for federal forfeitures received.

Recommendation –

1) The Task Force should comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.

2) The Task Force should use separate accounts to account for federal sharing funds from state and local forfeitures.

Response –

1) We will comply with the publication requirements in the statute.

2) We will establish separate accounts.

Conclusion – Response accepted.

(12) Muscatine County Joint Communications Commission – The MUSCOM is operated under the authority of Chapter 28E of the Code of Iowa and is administered by an Executive Committee separate and distinct from County operations. The following findings relate to the MUSCOM:

1) Chapter 28E(6)(3)(a) of the Code of Iowa requires the MUSCOM to publish a summary of the proceedings of each regular, adjourned, or special meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity. Minutes of meetings should include date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. The MUSCOM did not comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa for two of four meetings.

Recommendation – MUSCOM should comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.

Response – The publication requirements have been provided to the MUSCOM manager.

Conclusion – Response accepted.

(13) Muscatine-Louisa Island Levee District – The Muscatine-Louisa Island Levee District is operated under the authority of Chapter 468 of the Code of Iowa and is administered by Trustees separate and distinct from County operations.

During the year ended June 30, 2017, the Muscatine-Louisa Island Levee District loaned $60,000 to Muscatine-Louisa Joint Drainage District #13, an external drainage district separate from the County. Chapter 468 of the Code of Iowa sets forth procedures for both drainage and levee districts to raise and disburse funds by the issuance of warrants and bonds. There is no authority in the law for the levee district to loan money to another district.

Recommendation – Muscatine-Louisa Island Levee District should consult legal counsel to determine the disposition of this matter.

Response – The $60,000 loan was repaid by Muscatine-Louisa Joint Drainage District #13 soon after it was discovered to be inappropriate.

Conclusion – Response accepted.

Staff

This audit was performed by:

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