

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

February 22, 2018

Contact: Andy Nielsen

515/281-5834

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

The County had local tax revenue of \$10,992,928 for the year ended June 30, 2017, which included \$902,958 in tax credits from the state. The County forwarded \$7,107,961 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,884,967 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$1,321,643, operating grants, contributions and restricted interest of \$3,908,866, capital grants, contributions and restricted interest of \$551,612, local option sales tax of \$214,492, unrestricted investment earnings of \$40,440 and other general revenues of \$40,552.

Expenses for County operations for the year ended June 30, 2017 totaled \$9,875,405, an 11.6% increase over the prior year. Expenses included \$5,288,932 for roads and transportation, \$1,639,978 for public safety and legal services and \$1,378,729 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0087-BOOF>.

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TAYLOR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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Taylor County

Officials

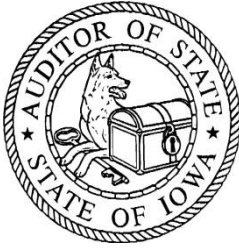
(Before January 2017)

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

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Horton	Board of Supervisors	Jan 2019
Charles Ambrose	Board of Supervisors	Jan 2021
Jerry Murphy	Board of Supervisors	Jan 2021
Bethany Murphy	County Auditor	Jan 2021
Dana Davis	County Treasurer	Jan 2019
Rick Sheley	County Recorder	Jan 2019
Josh Weed	County Sheriff	Jan 2021
Clinton L. Spurrier	County Attorney	Jan 2019
Sharon Dalton	County Assessor	Jan 2020

Taylor County



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Independent Auditor's Report

To the Officials of Taylor County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 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 Taylor County as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2018 on our consideration of Taylor County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 of 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 Taylor County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

February 9, 2018

Taylor County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taylor County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased 4.7%, or approximately \$450,000, from fiscal year 2016 to fiscal year 2017. Charges for service increased approximately \$323,000, or 32.3%. Operating grants, contributions and restricted interest increased approximately \$65,000, or 1.7%, and capital grants, contributions and restricted interest increased approximately \$131,000, or 31.1%.
- Program expenses of the County's governmental activities were 11.6%, or approximately \$1,023,000, more in fiscal year 2017 than in fiscal year 2016. Physical health and social services expenses increased approximately \$390,000, or 39.4%, from fiscal year 2016 to fiscal year 2017. Roads and transportation expenses increased approximately \$842,000, or 18.9%.
- Net position at June 30, 2017 increased 0.5%, or approximately \$87,000, over 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 Taylor County as a whole and present an overall view of the County's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Taylor County's combined net position increased from approximately \$19.2 million to approximately \$19.3 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

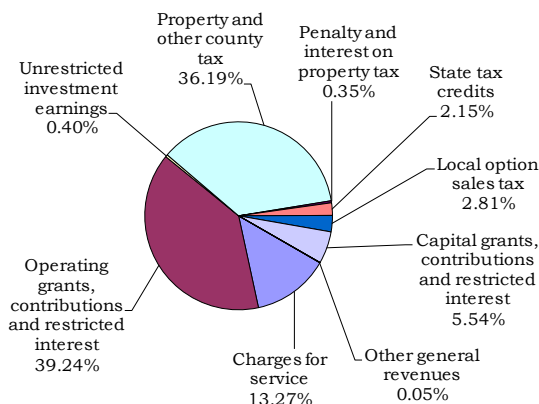
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 8,997	8,874
Capital assets	22,333	22,834
Total assets	31,330	31,708
Deferred outflows of resources	752	348
Long-term liabilities	8,531	8,834
Other liabilities	313	191
Total liabilities	8,844	9,025
Deferred inflows of resources	3,937	3,817
Net position:		
Net investment in capital assets	16,134	15,809
Restricted	3,266	3,472
Unrestricted	(99)	(67)
Total net position	\$ 19,301	19,214

The net position of Taylor County's governmental activities increased approximately \$87,000, or 0.5%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from a deficit of approximately \$67,000 at June 30, 2016 to a deficit of approximately \$99,000 at the end of the year.

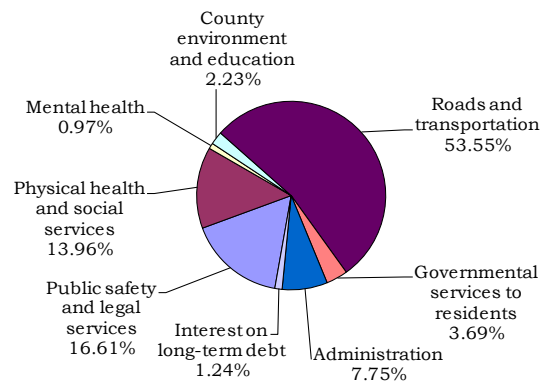
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 1,322	999
Operating grants, contributions and restricted interest	3,909	3,844
Capital grants, contributions and restricted interest	552	421
General revenues:		
Property and other county tax	3,605	3,572
Penalty and interest on property tax	35	34
State tax credits	280	296
Local option sales tax	214	217
Unrestricted investment earnings	40	42
Gain on disposition of capital assets	-	22
Other general revenues	5	65
Total revenues	9,962	9,512
Program expenses:		
Public safety and legal services	1,640	1,732
Physical health and social services	1,379	989
Mental health	96	141
County environment and education	220	409
Roads and transportation	5,289	4,447
Governmental services to residents	364	310
Administration	765	694
Interest on long-term debt	122	130
Total expenses	9,875	8,852
Change in net position	87	660
Net position beginning of year	19,214	18,554
Net position end of year	\$ 19,301	19,214

Revenues by Source



Expenses by Program



The County decreased property tax rates for fiscal year 2017 by 5.6%. However, property tax valuations increased approximately 6.0%. These factors combined to raise the County's property tax revenue approximately \$33,000 in fiscal year 2017. Based on increases in the tax rate and taxable valuations, property tax revenue is budgeted to increase approximately \$474,000 next year.

The cost of all governmental activities this year was approximately \$9.9 million compared to approximately \$8.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$4.1 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,322,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,461,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$5,264,000 to approximately \$5,783,000, principally due to receiving grant proceeds for two bridge projects and due to the County's subcontractor agreement with Adams County to facilitate the provision of public health services for Adams County.

INDIVIDUAL MAJOR FUND ANALYSIS

As Taylor County completed the year, its governmental funds reported a combined fund balance of \$4,798,158, a decrease of \$298,904 from last year's total fund balance of \$5,097,062. The decrease in the combined fund balance is primarily attributable to a decrease in the Special Revenue, Rural Services and Secondary Roads Funds. The balances of the General Fund as well as the Special Revenue, Mental Health Fund increased in fiscal year 2017. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund property and other county tax revenue increased due to an increase in property valuations. Charges for service revenue increased approximately \$201,000 due to the increase of ambulance services for the fiscal year and due to the subcontractor agreement with Adams County. General Fund expenditures increased approximately \$312,000, primarily due to increases of approximately \$80,000 and \$251,000 for administration and physical health and social services, respectively, which included the subcontractor agreement with Adams County to facilitate the provision of public health services for Adams County.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2017, Special Revenue, Mental Health Fund expenditures totaled approximately \$96,000, a decrease of 32.4% from the prior year, primarily due to a decrease in property tax revenue and a corresponding decrease in the amount paid to the Mental Health Region fiscal agent. The ending fund balance increased approximately \$600 to approximately \$1,500.
- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of \$210,953 compared to the prior year ending balance of \$315,509. Transfers out increased approximately \$53,000. There were no significant changes in revenues or expenditures.
- The Special Revenue, Secondary Roads Fund expenditures increased approximately \$1,174,000, or 31.0%, primarily due to increased payments for the construction of two bridges in fiscal year 2017. Total revenues increased approximately \$287,000. The ending fund balance in the Secondary Roads Fund decreased approximately \$238,000, or 11.0%.
- The Debt Service Fund ended the fiscal year with a fund balance of approximately \$35,000 compared to the prior year ending balance of approximately \$27,000. There were no significant changes in revenues or expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Taylor County amended its budget two times. The amendments were made on December 29, 2016 and May 22, 2017, primarily to allow for the purchase of a motor grader and dump trucks.

The County's receipts were \$267,393 less than budgeted. Actual intergovernmental receipts were \$434,434 less than budgeted. This was primarily due to a delay in completing bridge construction project work.

Total disbursements were \$635,528 less than the amended budget. Actual disbursements for the roads and transportation, public safety and legal services and physical health social services functions were \$292,917, \$91,396 and \$101,659, respectively, less than budgeted. This was primarily due to fewer engineering costs than expected, a delay in purchasing sheriff vehicles and less environmental health disbursements than anticipated.

With the budget amendments, the County did not exceed the budgeted amount for any function during the year ended June 30, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Taylor County had approximately \$22.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$501,000, or 2.2%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 892	892
Construction in progress	30	595
Buildings and improvements	3,834	4,133
Equipment and vehicles	1,594	1,231
Intangibles, other	73	-
Infrastructure	15,910	15,983
Total	\$ 22,333	22,834

The County had depreciation/amortization expense of \$1,912,448 in fiscal year 2017 and total accumulated depreciation/amortization of \$15,311,132 at June 30, 2017. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Taylor County had \$6,195,000 of outstanding debt versus \$7,025,000 last year, a decrease of \$830,000 from June 30, 2016.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds	\$ 6,195	7,025

Debt decreased as a result of scheduled debt payments during fiscal year 2017.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$32.9 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were taken into account when adopting the budget for fiscal year 2018. The County had a countywide valuation increase of \$12,290,053 and the rural valuation increased \$9,878,185 for fiscal year 2018. The rollback totaled 56.9391% for residential property for fiscal year 2017, compared to the fiscal year 2016 rollback of 55.6259%.

Amounts levied for property tax are \$4,120,837, an increase of \$261,476 over fiscal year 2017. Total receipts and other financing sources for fiscal year 2018 increased \$394,788 from the amended budget for fiscal year 2017. This increase is mainly due to an increase in expected net property tax and intergovernmental revenues.

Budgeted disbursements increased \$279,926 from the amended fiscal year 2017 budget. The increase is primarily due to an increase in physical health and social services disbursements over fiscal year 2017.

The County has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase 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 Taylor County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Taylor County Auditor's Office, 405 Jefferson Street, Bedford, Iowa 50833.

Taylor County

Basic Financial Statements

Taylor County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	\$ 3,955,834
Receivables:	
Property tax:	
Delinquent	5,511
Succeeding year	3,815,000
Interest and penalty on property tax	20,482
Accounts	169,823
Accrued interest	749
Due from other governments	466,994
Inventories	323,036
Prepaid items	240,342
Capital assets, net of accumulated depreciation	22,332,511
Total assets	31,330,282
Deferred Outflows of Resources	
Pension related deferred outflows	752,455
Liabilities	
Accounts payable	233,031
Accrued interest payable	3,716
Salaries and benefits payable	52,228
Due to other governments	23,797
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	835,000
Compensated absences	130,645
Portion due or payable after one year:	
General obligation bonds	5,360,000
Compensated absences	132,957
Net pension liability	2,039,616
Net OPEB liability	33,300
Total liabilities	8,844,290
Deferred Inflows of Resources	
Unavailable property tax revenue	3,815,000
Pension related deferred inflows	122,302
Total deferred inflows of resources	3,937,302
Net Position	
Net investment in capital assets	16,137,511
Restricted for:	
Supplemental levy purposes	595,921
Rural services purposes	210,974
Secondary roads purposes	1,701,151
Debt service	32,490
Conservation purposes	70,075
Ambulance services	246,129
Other purposes	406,070
Unrestricted	(99,176)
Total net position	\$ 19,301,145

See notes to financial statements.

Taylor County
Statement of Activities
Year ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,639,978	782,199	1,011	-	(856,768)
Physical health and social services	1,378,729	208,981	645,184	-	(524,564)
Mental health	95,642	-	-	-	(95,642)
County environment and education	220,023	9,470	18,265	-	(192,288)
Roads and transportation	5,288,932	133,928	3,244,406	551,612	(1,358,986)
Governmental services to residents	364,544	104,546	-	-	(259,998)
Administration	765,148	82,519	-	-	(682,629)
Interest on long-term debt	122,409	-	-	-	(122,409)
Total	<u>\$ 9,875,405</u>	<u>1,321,643</u>	<u>3,908,866</u>	<u>551,612</u>	<u>(4,093,284)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,744,473
Debt service					860,415
Penalty and interest on property tax					35,339
State tax credits					280,079
Local option sales tax					214,492
Unrestricted investment earnings					40,440
Miscellaneous					5,183
Total general revenues					<u>4,180,421</u>
Change in net position					87,137
Net position beginning of year					<u>19,214,008</u>
Net position end of year					<u>\$ 19,301,145</u>

See notes to financial statements.

Taylor County
Balance Sheet
Governmental Funds

June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,789,440	1,546	204,959	1,537,406
Receivables:				
Property tax:				
Delinquent	3,750	160	21	-
Succeeding year	2,083,000	88,000	762,000	-
Interest and penalty on property tax	20,482	-	-	-
Accounts	162,667	-	157	6,633
Accrued interest	749	-	-	-
Due from other governments	136,979	-	9,500	302,873
Inventories	-	-	-	323,036
Prepaid items	236,742	-	-	3,600
Total assets	\$ 4,433,809	89,706	976,637	2,173,548
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 32,812	-	84	198,634
Salaries and benefits payable	400	-	-	51,828
Due to other governments	12,559	-	3,579	7,659
Total liabilities	45,771	-	3,663	258,121
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,083,000	88,000	762,000	-
Other	73,796	160	21	-
Total deferred inflows of resources	2,156,796	88,160	762,021	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	323,036
Prepaid items	236,742	-	-	3,600
Restricted for:				
Supplemental levy purposes	405,327	-	-	-
Rural services purposes	-	-	210,953	-
Secondary roads purposes	-	-	-	1,588,791
Conservation purposes	70,075	-	-	-
Debt service	-	-	-	-
Ambulance purposes	240,387	-	-	-
Other purposes	-	1,546	-	-
Unassigned	1,278,711	-	-	-
Total fund balances	2,231,242	1,546	210,953	1,915,427
Total liabilities, deferred inflows of resources and fund balances	\$ 4,433,809	89,706	976,637	2,173,548

See notes to financial statements.

Debt Service	Nonmajor	Total
34,626	387,857	3,955,834
1,580	-	5,511
882,000	-	3,815,000
-	-	20,482
-	366	169,823
-	-	749
-	17,642	466,994
-	-	323,036
-	-	240,342
<u>918,206</u>	<u>405,865</u>	<u>8,997,771</u>
-	1,501	233,031
-	-	52,228
-	-	23,797
-	<u>1,501</u>	<u>309,056</u>
882,000	-	3,815,000
<u>1,580</u>	-	<u>75,557</u>
<u>883,580</u>	-	<u>3,890,557</u>
-	-	323,036
-	-	240,342
-	-	405,327
-	-	210,953
-	-	1,588,791
-	-	70,075
34,626	-	34,626
-	-	240,387
-	404,364	405,910
-	-	1,278,711
<u>34,626</u>	<u>404,364</u>	<u>4,798,158</u>
<u>918,206</u>	<u>405,865</u>	<u>8,997,771</u>

Taylor County

Taylor County

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

June 30, 2017

Total governmental fund balances (page 21) \$ 4,798,158

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$37,643,643 and the accumulated depreciation is \$15,311,132. 22,332,511

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. 75,557

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	\$ 752,455	
Deferred inflows of resources	<u>(122,302)</u>	630,153

Long-term liabilities, including the general obligation bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (8,535,234)

Net position of governmental activities (page 18) \$ 19,301,145

See notes to financial statements.

Taylor 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	\$ 1,924,312	88,862	704,399	-
Local option sales tax	-	-	75,073	-
Interest and penalty on property tax	32,003	-	-	-
Intergovernmental	1,432,341	7,412	47,354	3,791,953
Licenses and permits	-	-	3,934	1,350
Charges for service	411,141	-	1,511	-
Use of money and property	39,215	-	-	-
Miscellaneous	109,816	-	558	136,643
Total revenues	3,948,828	96,274	832,829	3,929,946
Expenditures:				
Operating:				
Public safety and legal services	1,559,254	-	-	-
Physical health and social services	1,206,181	-	73,218	-
Mental health	-	95,642	-	-
County environment and education	115,330	-	33,975	-
Roads and transportation	-	-	30,000	4,265,584
Governmental services to residents	357,808	-	3,902	-
Administration	751,113	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	698,401
Total expenditures	3,989,686	95,642	141,095	4,963,985
Excess (deficiency) of revenues over (under) expenditures	(40,858)	632	691,734	(1,034,039)
Other financing sources (uses):				
Sale of capital assets	510	-	-	-
Transfers in	49,885	-	-	796,290
Transfers out	-	-	(796,290)	-
Total other financing sources (uses)	50,395	-	(796,290)	796,290
Change in fund balances	9,537	632	(104,556)	(237,749)
Fund balances beginning of year	2,221,705	914	315,509	2,153,176
Fund balances end of year	\$ 2,231,242	1,546	210,953	1,915,427

See notes to financial statements.

Debt		
Service	Nonmajor	Total
887,251	-	3,604,824
-	139,419	214,492
-	-	32,003
73,970	-	5,353,030
-	-	5,284
-	1,222	413,874
-	-	39,215
-	5,300	252,317
<u>961,221</u>	<u>145,941</u>	<u>9,915,039</u>
-	28,970	1,588,224
-	-	1,279,399
-	-	95,642
-	88,740	238,045
-	-	4,295,584
-	2,735	364,445
-	139	751,252
953,603	-	953,603
-	-	698,401
<u>953,603</u>	<u>120,584</u>	<u>10,264,595</u>
<u>7,618</u>	<u>25,357</u>	<u>(349,556)</u>
-	50,142	50,652
-	-	846,175
-	(49,885)	(846,175)
-	257	50,652
<u>7,618</u>	<u>25,614</u>	<u>(298,904)</u>
<u>27,008</u>	<u>378,750</u>	<u>5,097,062</u>
<u>34,626</u>	<u>404,364</u>	<u>4,798,158</u>

Taylor County

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

Year ended June 30, 2017

Change in fund balances - Total governmental funds (page 25) \$ (298,904)

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

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

Expenditures for capital assets	\$ 1,494,258	
Depreciation expense	<u>(1,912,448)</u>	(418,190)

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. (83,454)

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	64	
Other	<u>46,927</u>	46,991

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. 830,000

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 286,400

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

Compensated absences	(19,413)	
Other postemployment benefits	(92)	
Pension expense	(257,395)	
Interest on long-term debt	<u>1,194</u>	<u>(275,706)</u>

Change in net position of governmental activities (page 19) \$ 87,137

See notes to financial statements.

Taylor County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash and pooled investments:

County Treasurer	\$ 611,659
Other County officials	12,703

Receivables:

Property tax:

Delinquent	17,741
Succeeding year	6,527,000

Prepaid items

4,961

Total assets

7,174,064

Liabilities

Accounts payable

10,130

Due to other governments

7,157,160

Trusts payable

280

Compensated absences

6,494

Total liabilities

7,174,064

Net position

\$ -

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), South Iowa Area Crime Commission, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 that was due and payable but has not been collected.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
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:

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

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

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

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

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. 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 receivable and other receivables not collected within sixty days after year end.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Preschool Building	\$ 49,885
Special Revenue: Secondary Roads	Special Revenue: Rural Services	796,290
Total		<u>\$ 846,175</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 891,709	-	-	891,709
Construction in progress	594,905	738,700	(1,304,040)	29,565
Total capital assets not being depreciated/amortized	1,486,614	738,700	(1,304,040)	921,274
Capital assets being depreciated/amortized:				
Buildings	5,007,757	-	(837,897)	4,169,860
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	4,953,554	795,450	(345,757)	5,403,247
Intangibles, other	-	77,750	-	77,750
Infrastructure, road network	25,529,321	1,304,040	-	26,833,361
Total capital assets being depreciated/amortized	35,728,783	2,177,240	(1,183,654)	36,722,369
Less accumulated depreciation/amortization for:				
Buildings	1,065,170	92,853	(636,802)	521,221
Improvements other than buildings	47,630	4,763	-	52,393
Equipment and vehicles	3,722,825	431,659	(345,756)	3,808,728
Intangibles, other	-	5,183	-	5,183
Infrastructure, road network	9,545,617	1,377,990	-	10,923,607
Total accumulated depreciation/amortization	14,381,242	1,912,448	(982,558)	15,311,132
Total capital assets being depreciated/amortized, net	21,347,541	264,792	(201,096)	21,411,237
Governmental activities capital assets, net	\$ 22,834,155	1,003,492	(1,505,136)	22,332,511

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 297,804
Physical health and social services	18,128
County environment and education	10,332
Roads and transportation	1,569,816
Administration	16,368
Total depreciation/amortization expense - governmental activities	\$ 1,912,448

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

Fund	Description	Amount
General	Services	\$ 12,559
Special Revenue:		
Rural Services	Services	3,579
Secondary Roads	Services	7,659
Total for governmental funds		<u>\$ 23,797</u>
Agency:		
County Assessor	Collections	\$ 392,401
Schools		4,777,264
Community Colleges		294,880
Corporations		1,162,766
Townships		153,097
All other		376,752
Total for agency funds		<u>\$ 7,157,160</u>

(6) Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 7,025,000	244,189	1,531,635	33,208	8,834,032
Increases	-	245,144	507,981	45,000	798,125
Decreases	830,000	225,731	-	44,908	1,100,639
Balance end of year	<u>\$ 6,195,000</u>	<u>263,602</u>	<u>2,039,616</u>	<u>33,300</u>	<u>8,531,518</u>
Due within one year	<u>\$ 835,000</u>	<u>130,645</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Obligation Bonds

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

Year Ending June 30,	Series 2012			
	County Road Reconstruction and Improvement			
	Issued March 9, 2012			
	Interest Rates	Principal	Interest	Total
2018	1.10%	\$ 600,000	46,380	646,380
2019	1.30	605,000	39,780	644,780
2020	1.50	615,000	31,915	646,915
2021	1.70	625,000	22,690	647,690
2022	1.90	635,000	12,064	647,064
Total		\$ 3,080,000	152,829	3,232,829

Year Ending June 30,	Series 2014						
	County Law Enforcement Facility					Total	
	Issued March 28, 2014						
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2018	0.95%	\$ 235,000	70,343	305,343	835,000	116,723	951,723
2019	1.25	235,000	68,110	303,110	840,000	107,890	947,890
2020	1.50	240,000	65,173	305,173	855,000	97,088	952,088
2021	1.85	255,000	61,572	316,572	880,000	84,262	964,262
2022	2.15	245,000	56,855	301,855	880,000	68,919	948,919
2023-2027	2.15-2.85	1,325,000	195,912	1,520,912	1,325,000	195,912	1,520,912
2028-2029	3.00-3.10	580,000	26,840	606,840	580,000	26,840	606,840
Total		\$ 3,115,000	544,805	3,659,805	6,195,000	697,634	6,892,634

During the year ended June 30, 2017, the County retired \$830,000 of general obligation bond principal.

(7) Pension Plan

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

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

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

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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% of covered payroll for a total rate of 14.88%. The Sheriffs, 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 were \$286,400.

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 \$2,039,616 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 proportion was 0.032409%, which was an increase of 0.001407% from its collective proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$257,395. 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	\$ 16,639	44,708
Changes of assumptions	28,724	9,173
Net difference between projected and actual earnings on IPERS' investments	388,161	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	32,531	68,421
County contributions subsequent to the measurement date	286,400	-
Total	<u>\$ 752,455</u>	<u>122,302</u>

\$286,400 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	\$ 23,738
2019	23,738
2020	189,491
2021	109,841
2022	(3,055)
Total	<u>\$ 343,753</u>

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 3,662,674	2,039,616	671,154

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

Payables to IPERS – At June 30, 2017, the County reported payables to IPERS of \$4,001 for legally required County contributions and \$2,666 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 59 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 45,000
Interest on net OPEB obligation	1,300
Adjustment to annual required contribution	<u>(1,300)</u>
Annual OPEB cost	45,000
Contributions made	<u>(44,908)</u>
Increase in net OPEB obligation	92
Net OPEB obligation beginning of year	<u>33,208</u>
Net OPEB obligation end of year	<u><u>\$ 33,300</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$44,908 to the medical plan. There were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 24,640	99.8%	\$ 33,200
2016	45,017	100.0	33,208
2017	45,000	99.8	33,300

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$389,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$389,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,824,000 and the ratio of the UAAL to covered payroll was 13.8%. 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, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

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

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

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 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 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 \$148,047.

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 \$2,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

(11) 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.

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:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Lenox	Urban renewal and economic development projects	\$ 10,560

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

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Adair County, Adams County, Union County and Taylor County. The financial activity of Taylor County’s Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		\$ 88,862
Intergovernmental:		
State tax credits		<u>7,412</u>
Total revenues		96,274
Expenditures:		
Distribution to regional fiscal agent		<u>95,642</u>
Excess of revenues over expenditures		632
Fund balance beginning of year		<u>914</u>
Fund balance end of year		<u>\$ 1,546</u>

(13) 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 tax abatements of other entities which impact the County.

(14) 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.

Taylor County

Required Supplementary Information

Taylor County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 3,834,290	3,792,021
Interest and penalty on property tax	32,003	18,810
Intergovernmental	5,535,239	5,458,848
Licenses and permits	5,127	6,398
Charges for service	347,200	191,025
Use of money and property	39,462	40,705
Miscellaneous	168,621	120,218
Total receipts	<u>9,961,942</u>	<u>9,628,025</u>
Disbursements:		
Public safety and legal services	1,641,171	1,689,009
Physical health and social services	1,260,691	1,075,330
Mental health	95,642	96,307
County environment and education	235,251	264,537
Roads and transportation	4,216,083	4,109,000
Governmental services to residents	363,576	364,347
Administration	752,828	765,317
Debt service	953,603	953,605
Capital projects	698,402	1,150,000
Total disbursements	<u>10,217,247</u>	<u>10,467,452</u>
Excess (deficiency) of receipts over (under) disbursements	(255,305)	(839,427)
Other financing sources, net	<u>50,652</u>	<u>25,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(204,653)	(814,427)
Balance beginning of year	<u>4,160,487</u>	<u>3,837,939</u>
Balance end of year	<u>\$ 3,955,834</u>	<u>3,023,512</u>

See accompanying independent auditor's report.

<u>Amounts</u>	Final to
Final	Actual Variance
3,792,021	42,269
18,810	13,193
5,969,673	(434,434)
6,398	(1,271)
223,925	123,275
40,705	(1,243)
177,803	(9,182)
<u>10,229,335</u>	<u>(267,393)</u>
1,732,567	91,396
1,362,350	101,659
96,307	665
265,537	30,286
4,509,000	292,917
368,207	4,631
815,202	62,374
953,605	2
750,000	51,598
<u>10,852,775</u>	<u>635,528</u>
(623,440)	368,135
25,000	25,652
(598,440)	393,787
<u>3,837,939</u>	<u>322,548</u>
<u><u>3,239,499</u></u>	<u><u>716,335</u></u>

Taylor County

Taylor County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 9,961,942	(46,903)	9,915,039
Expenditures	10,217,247	47,348	10,264,595
Net	(255,305)	(94,251)	(349,556)
Other financing sources, net	50,652	-	50,652
Beginning fund balances	4,160,487	936,575	5,097,062
Ending fund balances	<u>\$ 3,955,834</u>	<u>842,324</u>	<u>4,798,158</u>

See accompanying independent auditor's report.

Taylor County

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$385,323. 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 did not exceed the amounts budgeted by function.

Taylor 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 collective proportion of the net pension liability	0.032409%	0.031002%	0.030002%
County's collective proportionate share of the net pension liability	\$ 2,040	1,532	1,190
County's covered-employee payroll	\$ 2,846	2,672	2,602
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.68%	57.34%	45.73%
Plan fiduciary 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.

Taylor County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 286	258	242	237
Contributions in relation to the statutorily required contribution	<u>(286)</u>	<u>(258)</u>	<u>(242)</u>	<u>(237)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,143	2,846	2,672	2,602
Contributions as a percentage of covered-employee payroll	9.10%	9.07%	9.06%	9.11%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
227	201	173	160	167	139
(227)	(201)	(173)	(160)	(167)	(139)
-	-	-	-	-	-
2,543	2,391	2,366	2,324	2,340	2,263
8.93%	8.41%	7.31%	6.88%	7.14%	6.14%

Taylor County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

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.

Taylor County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 242	242	0.0%	\$ 2,168	11.2%
2011	Jul 1, 2009	-	242	242	0.0	2,409	10.0
2012	Jul 1, 2009	-	242	242	0.0	2,456	9.9
2013	Jul 1, 2012	-	173	173	0.0	2,275	7.6
2014	Jul 1, 2012	-	173	173	0.0	2,375	7.3
2015	Jul 1, 2012	-	173	173	0.0	2,391	7.2
2016	Jul 1, 2015	-	389	389	0.0	2,403	16.2
2017	Jul 1, 2015	-	389	389	0.0	2,824	13.8

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Taylor County

Supplementary Information

Taylor County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2017

		Special
	County Recorder's Records Management	Forfeitures
Assets		
Cash and pooled investments	\$ 3,353	24,632
Accounts receivable	366	-
Due from other governments	-	-
Total assets	\$ 3,719	24,632
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 548	-
Fund balances:		
Restricted for other purposes	3,171	24,632
Total liabilities and fund balances	\$ 3,719	24,632

See accompanying independent auditor's report.

<u>Revenue</u>		
<u>Local Option Sales Tax</u>	<u>SIRWA Grid Sinking Reserve</u>	<u>Total</u>
297,372	62,500	387,857
-	-	366
17,642	-	17,642
<u>315,014</u>	<u>62,500</u>	<u>405,865</u>
953	-	1,501
<u>314,061</u>	<u>62,500</u>	<u>404,364</u>
<u>315,014</u>	<u>62,500</u>	<u>405,865</u>

Taylor County

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

Year ended June 30, 2017

	<u>Special</u>		
	County Recorder's Records Management	Forfeitures	Preschool Building
Revenues:			
Local option sales tax	\$ -	-	-
Charges for service	1,222	-	-
Miscellaneous	-	5,300	-
Total revenues	<u>1,222</u>	<u>5,300</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	23,970	-
County environment and education	-	-	-
Governmental services to residents Administration	2,735	-	-
	-	-	139
Total expenditures	<u>2,735</u>	<u>23,970</u>	<u>139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,513)</u>	<u>(18,670)</u>	<u>(139)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	50,142
Transfers out	-	-	(49,885)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>257</u>
Change in fund balances	<u>(1,513)</u>	<u>(18,670)</u>	<u>118</u>
Fund balances beginning of year	<u>4,684</u>	<u>43,302</u>	<u>(118)</u>
Fund balances end of year	<u>\$ 3,171</u>	<u>24,632</u>	<u>-</u>

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>Local Option Sales Tax</u>	<u>SIRWA Grid Sinking Reserve</u>		<u>Total</u>
139,419	-		139,419
-	-		1,222
-	-		5,300
<u>139,419</u>	<u>-</u>		<u>145,941</u>
5,000	-		28,970
88,740	-		88,740
-	-		2,735
-	-		139
<u>93,740</u>	<u>-</u>		<u>120,584</u>
<u>45,679</u>	<u>-</u>		<u>25,357</u>
-	-		50,142
-	-		(49,885)
-	-		257
<u>45,679</u>	<u>-</u>		<u>25,614</u>
<u>268,382</u>	<u>62,500</u>		<u>378,750</u>
<u>314,061</u>	<u>62,500</u>		<u>404,364</u>

Taylor County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,495	258,153	68,446	4,358
Other County officials	12,703	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	200	250	7,818	522
Succeeding year	-	111,000	139,000	4,701,000	290,000
Prepaid items	-	-	-	-	-
Total assets	\$ 12,703	112,695	397,403	4,777,264	294,880
Liabilities					
Liabilities:					
Accounts payable	\$ 8,514	-	167	-	-
Due to other governments	3,909	112,695	392,401	4,777,264	294,880
Trusts payable	280	-	-	-	-
Compensated absences	-	-	4,835	-	-
Total liabilities	\$ 12,703	112,695	397,403	4,777,264	294,880

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
19,824	2,090	147,216	110,077	611,659
-	-	-	-	12,703
8,942	7	-	2	17,741
1,134,000	151,000	-	1,000	6,527,000
-	-	-	4,961	4,961
<u>1,162,766</u>	<u>153,097</u>	<u>147,216</u>	<u>116,040</u>	<u>7,174,064</u>
-	-	-	1,449	10,130
1,162,766	153,097	147,216	112,932	7,157,160
-	-	-	-	280
-	-	-	1,659	6,494
<u>1,162,766</u>	<u>153,097</u>	<u>147,216</u>	<u>116,040</u>	<u>7,174,064</u>

Taylor County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 8,569	96,930	393,814	4,505,743	283,186
Additions:					
Property and other county tax	-	111,980	139,836	4,731,908	291,692
E-911 surcharge	-	-	-	-	-
State tax credits	-	8,006	12,419	372,801	23,336
Office fees and collections	155,709	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	280	-	-	-	-
Miscellaneous	-	-	19,559	-	-
Total additions	155,989	119,986	171,814	5,104,709	315,028
Deductions:					
Agency remittances:					
To other funds	38,839	-	-	-	-
To other governments	58,640	104,221	168,225	4,833,188	303,334
Trusts paid out	54,376	-	-	-	-
Total deductions	151,855	104,221	168,225	4,833,188	303,334
Balances end of year	\$ 12,703	112,695	397,403	4,777,264	294,880

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
1,134,474	149,579	136,537	135,531	6,844,363
1,052,776	155,837	-	1,053	6,485,082
-	-	-	49,317	49,317
197,873	8,358	-	86	622,879
-	-	-	1,184	156,893
-	-	1,970,812	-	1,970,812
-	-	21,533	-	21,533
-	-	-	8,730	8,730
-	-	-	92,048	92,328
-	-	-	53,616	73,175
1,250,649	164,195	1,992,345	206,034	9,480,749
-	-	88,471	-	127,310
1,222,357	160,677	1,893,195	127,404	8,871,241
-	-	-	98,121	152,497
1,222,357	160,677	1,981,666	225,525	9,151,048
1,162,766	153,097	147,216	116,040	7,174,064

Taylor 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	\$ 3,604,824	3,572,048	3,553,111	3,202,539
Local option sales tax	214,492	216,613	199,132	174,982
Interest and penalty on property tax	32,003	30,783	32,793	36,407
Intergovernmental	5,353,030	5,214,924	4,476,827	4,390,596
Licenses and permits	5,284	6,297	13,673	11,376
Charges for service	413,874	213,362	226,729	254,164
Use of money and property	39,215	53,838	83,608	69,648
Miscellaneous	252,317	192,703	222,099	212,779
Total	<u>\$ 9,915,039</u>	<u>9,500,568</u>	<u>8,807,972</u>	<u>8,352,491</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,588,224	1,526,825	1,251,207	1,240,341
Physical health and social services	1,279,399	985,114	1,019,411	1,029,654
Mental health	95,642	141,450	146,341	220,261
County environment and education	238,045	417,695	183,274	332,326
Roads and transportation	4,295,584	3,051,454	3,131,219	3,420,299
Governmental services to residents	364,445	340,789	333,788	314,675
Administration	751,252	685,828	681,521	645,329
Debt service	953,603	1,184,630	1,011,973	730,759
Capital projects	698,401	1,491,432	3,121,078	742,959
Total	<u>\$ 10,264,595</u>	<u>9,825,217</u>	<u>10,879,812</u>	<u>8,676,603</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
3,144,805	2,625,373	2,538,207	2,475,724	2,432,311	2,265,195
197,786	223,876	206,378	178,685	172,166	163,656
34,621	30,172	31,208	33,505	31,213	29,623
4,325,426	4,018,382	3,978,151	3,699,525	3,539,127	3,868,432
18,211	14,991	15,361	14,647	7,378	9,771
218,298	181,998	176,801	162,884	140,161	158,056
42,206	81,394	67,272	67,190	83,731	101,420
243,752	375,840	147,965	119,191	110,727	166,773
8,225,105	7,552,026	7,161,343	6,751,351	6,516,814	6,762,926
972,594	861,724	818,628	790,102	770,502	699,623
978,082	1,001,890	954,126	888,046	895,522	926,405
411,244	661,178	511,893	512,736	475,259	578,073
265,601	634,221	192,113	267,342	167,562	262,597
3,048,635	3,018,866	3,086,672	2,967,517	2,613,123	3,103,584
382,556	299,745	285,559	272,421	264,705	241,462
612,607	594,981	584,532	570,507	571,514	565,113
839,551	197,356	208,634	200,911	204,867	173,987
2,500,535	3,912,468	495,022	126,421	19,507	613,520
10,011,405	11,182,429	7,137,179	6,596,003	5,982,561	7,164,364

Taylor County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY17	\$ 4,793
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-CO87(50)--8J-87	317,799
Highway Planning and Construction	20.205	BROS-CO87(51)--8J-87	<u>235,550</u>
			<u>553,349</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5885BT487	1,153
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5886BT78	10,544
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5887BT78	<u>24,446</u>
			<u>36,143</u>
Immunization Cooperative Agreements	93.268	5886I473	<u>12,261</u>
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5886DH15	<u>266</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	588I473	<u>3,241</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance State/ Replacement Designee Administered Programs			
	93.566	FY17	<u>14</u>
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY17	<u>1,361</u>
Foster Care_Title IV-E	93.658	FY17	<u>1,779</u>
Adoption Assistance	93.659	FY17	<u>552</u>
Social Services Block Grant	93.667	FY17	<u>1,414</u>
Children's Health Insurance Program	93.767	FY17	<u>38</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	FY17	<u>8,366</u>

Taylor County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Iowa Department of Public Health:			
Maternal and Child Health Services Block Grants to the States	93.994	5886MH25	19,376
Maternal and Child Health Services Block Grants to the States	93.994	5887MH19	99,084
			118,460
U. S. Department of Homeland Security:			
Iowa Department of Homeland Security and			
Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-17PT-87	9,416
Total			\$ 751,453

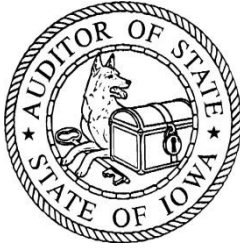
Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Taylor County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Taylor County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Taylor County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Taylor County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Taylor County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Taylor County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-17 and II-B-17 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-17 and II-D-17 to be significant deficiencies.

Compliance and Other Matters

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

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


Taylor County's Responses to the Findings

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

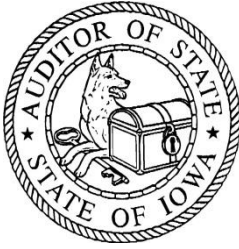
Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

February 9, 2018



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

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Taylor County:

Report on Compliance for Each Major Federal Program

We have audited Taylor County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Taylor County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Taylor County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Taylor County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.


Report on Internal Control Over Compliance

The management of Taylor County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Taylor County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Taylor County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State

February 9, 2018

Taylor County
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Taylor County did not qualify as a low-risk auditee.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-17 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:

	<hr/> Applicable Offices <hr/>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder, Public Health Nurse, Engineer, Conservation
(2) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.	Recorder, Public Health Nurse, Engineer, Sheriff, Conservation, Ag Extension
(3) The individual who signs checks is not independent of the individual who approves disbursements, records cash receipts and prepares checks.	Recorder
(4) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder, Ag Extension
(5) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person.	Treasurer

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

- | | |
|--|-----------|
| (6) All individuals in the Treasurer's Office have the ability to void receipts in the Solutions system, including individuals who perform daily balancing. A monthly report of voided transactions is not maintained or reviewed. | Treasurer |
| (7) The change fund and cash drawers are shared between employees. | Treasurer |

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, the County officials should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses –

County Recorder – We are limited in our options because of our low workforce, but we will attempt to segregate duties as much as possible. We will ask an independent person to review our bank reconciliations to obtain the maximum internal controls possible.

County Sheriff – We understand the importance of segregation of duties and with a small office it is difficult. However, we will review office procedures to obtain the maximum internal controls possible.

County Treasurer – The Office will review procedures and identify ways to segregate duties as much as possible and implement compensating controls where increased control can be achieved.

County Conservation – With limited staff, segregation of duties is difficult. We will work with staff to obtain the maximum internal control under current circumstances.

Engineer – With limited staff, segregation of duties is difficult. We will work with staff to obtain the maximum internal control under current circumstances.

Public Health Nurse – We feel we are above average in segregating duties while being fiscally responsible with employee's time and expertise. To train more staff to take on the complexities of this office's fiscal management opens a door for more errors than the risk of theft or fraud poses. Two separate staff are trained and take turns

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

preparing deposits, which are given to the County Treasurer. The Administrator signs a copy of that ledger weekly. Every attempt is made to ensure two separate employees witness the opening of the mail and recording all income in the ledger.

Ag Extension – We will ask an independent person to review our bank reconciliations to obtain the maximum internal controls possible.

Conclusion – Responses acknowledged. For those offices with limited staff, County personnel from other offices could be used to provide additional control through review of financial transactions. Also, the reviews performed by an independent person should be documented by the signature or initials of the reviewer and the date of the review.

II-B-17 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables, revenues, expenditures and capital asset additions and deletions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off and other 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, revenues, expenditures and capital assets are identified and properly reported in the County's financial statements.

Responses –

County Auditor – The County will establish procedures to ensure revenues, expenditures and capital assets are identified and reported.

County Treasurer – We will work to ensure all receivables are identified and properly reported.

Conclusion – Responses accepted.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

II-C-17 Safekeeping of Undeposited Collections

Criteria – An effective internal control system provides for internal controls related to ensuring the safety of County assets.

Condition – Undeposited collections are not safely secured in the County Conservation office.

Cause – Procedures have not been designed and implemented to ensure undeposited collections are properly secured.

Effect – Failure to secure undeposited collections can result in an opportunity for misappropriation.

Recommendation – The County should ensure all undeposited collections are properly secured.

Response – Going forward, we will establish procedures to properly secure our receipts.

Conclusion – Response accepted.

II-D-17 Restrictive Endorsement

Criteria – An effective internal control system provides for internal controls related to ensuring the safety of County assets.

Condition – Restrictive endorsements were not placed on checks immediately upon receipt in the Engineer's Office.

Cause – Procedures have not been designed and implemented by the County Engineer to ensure checks are endorsed immediately upon receipt.

Effect – Lack of restrictive endorsements can result in an opportunity for misappropriation.

Recommendation – Restrictive endorsements should be placed on all checks immediately upon receipt.

Response – We will work with the County Treasurer to have a means of placing a restrictive endorsement on checks immediately upon receipt.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Taylor County
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part IV: Findings Related to Required Statutory Reporting:

- IV-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- IV-B-17 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-17 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-17 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Andy Thomas, spouse is a Public Health Nurse, owns Native Hardwood	Courthouse repairs and clock tower repairs	\$ 950
Jerimiah Ambrose, son of a County Supervisor, owns ABC Plumbing & Electric	Plumbing and materials	1,730
Tony Hughes, County Auditor's brother, owns Hughes Feed and Supply	Corrugated pipe and miscellaneous items	6,480
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services and rental	2,115

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Andy Thomas do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The remaining transactions may represent conflicts of interest since the transactions with each individual were greater than \$1,500 during the fiscal year and were not competitively bid.

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

Response – The County will consult legal counsel.

Conclusion – Response accepted.

- IV-E-17 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

IV-G-17 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-17 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-17 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.

IV-J-17 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the backs of each cancelled check was not obtained by the County Recorder or the County Auditor.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

Responses –

County Recorder – We will obtain the backs of each cancelled check as required.

County Auditor – We will obtain the backs of each cancelled check as required.


Conclusion – Responses accepted.

Taylor County

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
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Justin M. Gibbons, Staff Auditor
Erin K. Howland, Assistant Auditor
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