

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

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NEWS RELEASE

FOR RELEASE

March 16, 2018

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on Adams County, Iowa.

The County had local tax revenue of \$9,854,083 for the year ended June 30, 2017, which included \$696,980 in tax credits from the state. The County forwarded \$6,598,645 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,255,438 of the local tax revenue to finance County operations, a 3.9% increase over the prior year. Other revenues included charges for service of \$832,863, operating grants, contributions and restricted interest of \$2,868,258, capital grants, contributions and restricted interest of \$3,740,811, tax increment financing of \$373,897, local option sales tax of \$248,985, commercial and industrial replacement tax of \$66,404, unrestricted investment earnings of \$19,628 and other general revenues of \$100,124.

Expenses for County operations for the year ended June 30, 2017 totaled \$7,529,456, a 9.7% increase over the prior year. Expenses included \$3,872,690 for roads and transportation, \$1,272,201 for public safety and legal services and \$990,583 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0002-B00F>.

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

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Adams County

Officials

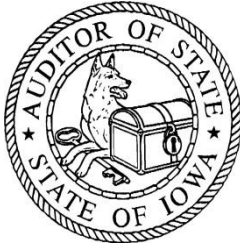
(Before January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merlin Dixon	Board of Supervisors	Jan 2017
Karl McCarty	Board of Supervisors	Jan 2017
Douglas Birt	Board of Supervisors	Jan 2019
Linda England	Board of Supervisors	Jan 2019
Leland Shipley	Board of Supervisors	Jan 2019
Rebecca Bissell	County Auditor	Jan 2017
Nancy Kempton	County Treasurer	Jan 2019
Jamie Stargell	County Recorder	Jan 2019
Alan Johannes	County Sheriff	Jan 2017
Douglas Daggett	County Attorney	Jan 2017
Wesley Ray	County Assessor	Jan 2022

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Birt	Board of Supervisors	Jan 2019
Linda England	Board of Supervisors	Jan 2019
Leland Shipley	Board of Supervisors	Jan 2019
Merlin Dixon	Board of Supervisors	Jan 2021
Karl McCarty	Board of Supervisors	Jan 2021
Rebecca Bissell	County Auditor	Jan 2021
Nancy Kempton	County Treasurer	Jan 2019
Jamie Stargell	County Recorder	Jan 2019
Alan Johannes	County Sheriff	Jan 2021
Andrew Knuth	County Attorney	Jan 2019
Ben Mullen	County Assessor	Jan 2022

Adams County



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Independent Auditor's Report

To the Officials of Adams 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 Adams 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 Adams 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 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2018 on our consideration of Adams 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 Adams County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

February 20, 2018

Adams County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adams 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

- Adams County's governmental activities' revenues increased 28.36%, or approximately \$2,542,000, from fiscal year 2016 to fiscal year 2017. Property tax increased approximately \$148,000, operating grants, contributions and restricted interest decreased approximately \$186,000 and capital grants, contributions and restricted interest increased approximately \$2,575,000.
- Program expenses of the County's governmental activities were approximately \$663,000, or 9.65%, more in fiscal year 2017 than in fiscal year 2016. County environment and education expenses increased approximately \$115,000, government services to residents expenses decreased approximately \$125,000, public safety and legal service expenses increased approximately \$235,000, administration expenses increased approximately \$293,000 and roads and transportation expenses increased approximately \$259,000,
- The County's net position increased 34.8%, or approximately \$3,977,000, from June 30, 2016 to June 30, 2017.

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 Adams 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 Adams 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 Adams County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the County Assessor, emergency management and CPC case management administration, 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. Adams County's net position at the end of fiscal year 2017 totaled approximately 15.4 million. This compares to the fiscal year 2016 balance of \$11.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

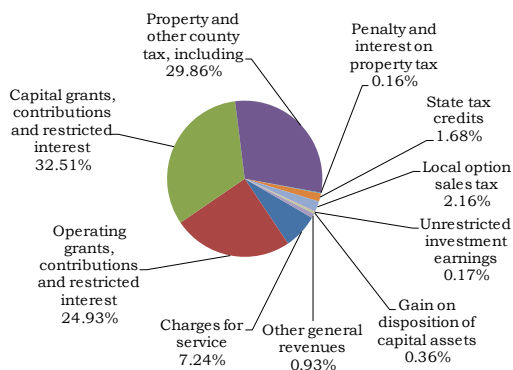
Net Position of Governmental Activities		
	June 30,	
	2017	2016
Current and other assets	\$ 7,857,005	8,128,281
Capital assets	17,509,936	13,796,169
Total assets	25,366,941	21,924,450
Deferred outflows of resources	594,246	253,431
Long-term liabilities	6,493,388	6,774,230
Other liabilities	142,877	266,464
Total liabilities	6,636,265	7,040,694
Deferred inflows of resources	3,919,481	3,708,698
Net position:		
Invested in capital assets	14,924,936	11,646,078
Restricted	2,751,052	2,421,369
Unrestricted	(2,270,547)	(2,638,958)
Total net position	\$ 15,405,441	11,428,489

Net position of Adams County's governmental activities increased 34.8% (approximately \$15.4 million compared to approximately \$11.4 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Invested in capital assets increased approximately \$3.3 million due primarily to an increase in secondary roads farm-to-market infrastructure projects. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$2.6 million at June 30, 2016 to a deficit of approximately \$2.3 million at the end of this year. The deficit of approximately \$2.3 million is due primarily to urban renewal tax increment revenue bonds of approximately \$1.5 million and local option sales tax revenue bonds of \$335,000.

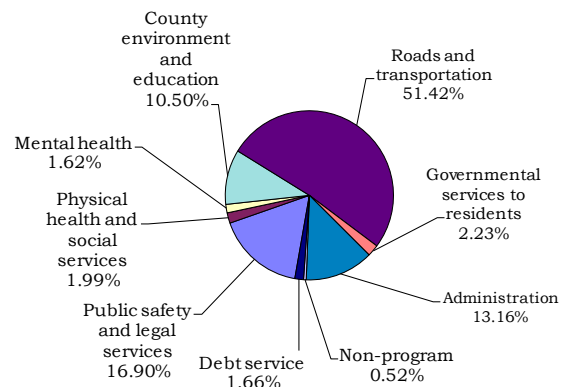
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 832,863	784,506
Operating grants, contributions and restricted interest	2,868,258	3,054,408
Capital grants, contributions and restricted interest	3,740,811	1,166,301
General revenues:		
Property and other county tax, including tax increment financing	3,435,622	3,287,482
Penalty and interest on property tax	17,967	19,773
State tax credits	193,713	180,597
Local option sales tax	248,985	274,145
Unrestricted investment earnings	19,628	24,576
Gain on disposition of capital assets	41,183	13,378
Other general revenues	107,378	159,216
Total revenues	11,506,408	8,964,382
Program expenses:		
Public safety and legal services	1,272,201	1,037,357
Physical health and social services	149,809	234,902
Mental health	121,762	159,022
County environment and education	790,577	675,881
Roads and transportation	3,872,690	3,613,376
Governmental services to residents	168,020	292,880
Administration	990,583	698,060
Non-program	39,130	12,751
Debt service	124,684	142,355
Total expenses	7,529,456	6,866,584
Change in net position	3,976,952	2,097,798
Net position beginning of year	11,428,489	9,330,691
Net position end of year	\$ 15,405,441	11,428,489

Revenues by Source



Expenses by Program



Adams County decreased property tax rates \$0.2436 per \$1,000 of taxable valuation for the countywide levy and property tax rates per \$1,000 of taxable valuation for the rural services levy remained the same. The fiscal year 2017 Adams County taxable property valuation increased \$21,592,257. Adams County's general basic tax levy for fiscal year 2017 was \$4.00 per \$1,000 of taxable valuation. The net effect of these changes increased the County's property and other county tax revenue by approximately \$148,000 in fiscal year 2017.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of approximately \$4.0 million, a decrease of \$506,524 from last year's total of approximately \$4.5 million. The decrease in the combined fund balance is due primarily to decreases in the General and the Capital Projects Fund. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$164,851. The General Fund ending balance decreased \$186,774 from the prior year to \$1,259,436. General Fund expenditures increased by \$152,038.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year ended June 30, 2017, expenditures totaled \$127,530, a decrease of 28% from the prior year. Revenues decreased \$18,375. The Special Revenue, Mental Health Fund balance at year end increased \$27,282 from the prior year to a balance of \$27,287.
- There were no significant changes in revenues or expenditures for the Rural Services Fund. The Rural Services Fund ending balance increased \$637 from the prior year to \$140,464.
- Special Revenue, Secondary Roads Fund revenues decreased \$356,063 from the prior year primarily as a result of a decrease in grant revenue from the Iowa Department of Transportation. Secondary Roads Fund expenditures decreased 8% to \$3,538,061, primarily due to the County spending less on bridge repairs. These changes resulted in an increase of \$970 in the ending balance from fiscal year 2016 to \$1,417,966 at June 30, 2017.
- Special Revenue, Local Option Sales Tax Fund expenditures increased \$78,949 over the prior year and revenues increased \$98,522 over the prior year due to the City of Corning contributing the remainder of their portion of the outstanding local option sales tax revenue bonds. This resulted in the County including an additional \$150,000 in the transfer from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, Aquatic Center Sinking Fund for the payment of the local option sales tax revenue bonds.
- Special Revenue, Urban Renewal Fund revenues increased \$41,135 over the prior year as a result of an increase in the amount of calculated tax increment. Expenditures in the Urban Renewal Fund decreased \$150,000 due to making an extra principle payment on the revenue bonds during the prior fiscal year. These changes resulted in an increase of \$49,841 in the Urban Renewal Fund ending balance from fiscal year 2016 to \$83,168 at June 30, 2017.
- The Capital Projects Fund ended fiscal year 2017 with a fund balance of approximately \$308,000, a decrease of \$387,055. The decrease in fund balance was due to the completion of five capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget one time. The amendment was made in May 2017, and included increased budgeted disbursements of \$171,846, \$100,201, \$300,000 and \$387,107 in the public safety and legal services, county environment and education, debt service, and capital projects functions, respectively. The increases were necessary to prevent various departments from over spending budgeted amounts due to unanticipated expenses.

The County’s actual receipts were \$495,323 more than budgeted, a variance of 6.38%. The variance resulted from the County receiving more intergovernmental receipts than anticipated due to various grants and the City of Corning paying off their portion of the aquatic center bond.

Total disbursements were \$982,958 less than budgeted. Actual disbursements for the public safety and legal services, roads and transportation and debt service functions were under budget by \$162,415, \$324,545 and \$152,633, respectively. The variance in the public safety and legal services function was the result of lower personnel costs due to unfilled positions. The variance in in the roads and transportation function was due to fewer road expenses than anticipated. The variance in the debt service function was a result of incorrect budgeting for the sewer and aquatic center bond.

Even with the budget amendment, disbursements in the debt service and capital projects function exceeded the amount budgeted prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Adams County had approximately \$17.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,714,000, or 21.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2017	2016
Land	\$ 50,166	50,166
Intangibles, road network	215,100	215,100
Construction in progress	620,440	2,208,365
Buildings and improvements	2,372,533	1,263,909
Equipment and vehicles	1,631,560	1,558,022
Infrastructure, road network	12,620,137	8,500,607
Total	<u>\$ 17,509,936</u>	<u>13,796,169</u>
This year's major additions included:		
Capital assets contributed by the		
Iowa Department of Transportation	\$ 3,721,384	
Pavement project	185,107	
Lake Icaria Sewer project	100,131	
Timber Ridge project	254,853	
Secondary roads vehicles	243,259	
Public safety vehicles	98,135	
Total	<u>\$ 4,602,869</u>	

The County had depreciation expense of \$927,402 in fiscal year 2017 and total accumulated depreciation of \$7,327,266 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, Adams County had \$4,375,443 of revenue bonds and capital loan notes outstanding, compared to \$5,176,114 at June 30, 2016.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2017	2016
Revenue bonds	\$ 1,790,443	2,331,114
General obligation capital loan notes	2,585,000	2,845,000
Total	\$ 4,375,443	5,176,114

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. The County's constitutional debt limit is approximately \$32 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

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Adams County's employment (number of persons working) has increased 2.8% over the past 5 years. Unemployment in the County decreased from 2.5% in 2016 to 2.2% in 2017. This compares with the State's unemployment rate of 3.2% and the national rate of 4.5%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Budgeted disbursements in the fiscal year 2018 operating budget are \$8,355,692 a decrease of 10.8% from the final fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease from the re-estimated fiscal year 2017 ending fund balance of \$3,150,347 to \$2,525,585 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 Adams 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 Adams County Auditor's Office, 500 9th Street, Corning, Iowa 50841.

Adams County

Basic Financial Statements

Adams County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	\$ 3,715,991
Receivables:	
Property tax:	
Delinquent	2,801
Succeeding year	3,749,000
Accounts	7,981
Due from other governments	285,267
Inventories	95,965
Capital assets, net of accumulated depreciation	17,509,936
Total assets	25,366,941
Deferred Outflows of Resources	
Pension related deferred outflows	594,246
Liabilities	
Accounts payable	83,242
Accrued interest payable	8,988
Salaries and benefits payable	50,647
Long-term liabilities:	
Portion due or payable within one year:	
Revenue bonds	404,355
General obligation capital loan notes	265,000
Compensated absences	50,190
Portion due or payable after one year:	
Revenue bonds	1,386,088
General obligation capital loan notes	2,320,000
Compensated absences	228,261
Net pension liability	1,570,494
Net OPEB liability	269,000
Total liabilities	6,636,265
Deferred Inflows of Resources	
Unavailable property tax revenue	3,749,000
Pension related deferred inflows	170,481
Total deferred inflows of resources	3,919,481
Net Position	
Net investment in capital assets	14,924,936
Restricted for:	
Supplemental levy purposes	558,247
Rural services purposes	142,938
Secondary roads purposes	1,189,646
Conservation land acquisition	75,003
Other purposes	785,218
Unrestricted	(2,270,547)
Total net position	\$ 15,405,441

See notes to financial statements.

Adams 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	\$ 1,272,201	381,565	1,887	-	(888,749)
Physical health and social services	149,809	3,875	24,188	10,000	(111,746)
Mental health	121,762	-	-	-	(121,762)
County environment and education	790,577	300,075	159,909	-	(330,593)
Roads and transportation	3,872,690	12,323	2,681,772	3,730,811	2,552,216
Governmental services to residents	168,020	80,897	-	-	(87,123)
Administration	990,583	11,088	502	-	(978,993)
Non-program	39,130	43,040	-	-	3,910
Interest on long-term debt	124,684	-	-	-	(124,684)
Total	\$ 7,529,456	832,863	2,868,258	3,740,811	(87,524)
General Revenues:					
Property and other county tax levied for general purposes					3,061,725
Tax increment financing					373,897
Penalty and interest on property tax					17,967
State tax credits					193,713
Local option sales tax					248,985
Commercial and industrial replacement tax					66,404
Unrestricted investment earnings					19,628
Gain on disposition of capital assets					41,183
Miscellaneous					40,974
Total general revenues					4,064,476
Change in net position					3,976,952
Net position beginning of year					11,428,489
Net position end of year					\$ 15,405,441

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

Year ended June 30, 2017

	General	Special		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,315,148	27,287	141,220	1,112,663
Receivables:				
Property tax:				
Delinquent	2,695	34	4	-
Succeeding year	2,013,000	143,000	911,000	-
Accounts	5,022	-	-	2,959
Due from other governments	28,901	-	-	249,877
Inventories	-	-	-	95,965
Total assets	\$ 3,364,766	170,321	1,052,224	1,461,464
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 58,537	-	-	24,705
Salaries and benefits payable	31,098	-	756	18,793
Total liabilities	89,635	-	756	43,498
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,013,000	143,000	911,000	-
Other	2,695	34	4	-
Total deferred inflows of resources	2,015,695	143,034	911,004	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	95,965
Restricted for:				
Supplemental levy purposes	558,022	-	-	-
Mental health purposes	-	27,287	-	-
Rural services purposes	-	-	140,464	-
Secondary roads purposes	-	-	-	1,322,001
SIRWA water grid	62,500	-	-	-
Local option sales tax	-	-	-	-
Urban renewal	-	-	-	-
Debt service	-	-	-	-
Conservation land acquisition	75,003	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	-	-	-
Unassigned	563,911	-	-	-
Total fund balances	1,259,436	27,287	140,464	1,417,966
Total liabilities, deferred inflows of resources and fund balances	\$ 3,364,766	170,321	1,052,224	1,461,464

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal	Capital Projects	Nonmajor	Total
588,800	83,168	307,854	139,851	3,715,991
-	-	-	68	2,801
-	384,000	-	298,000	3,749,000
-	-	-	-	7,981
6,489	-	-	-	285,267
-	-	-	-	95,965
595,289	467,168	307,854	437,919	7,857,005
-	-	-	-	83,242
-	-	-	-	50,647
-	-	-	-	133,889
-	384,000	-	298,000	3,749,000
-	-	-	68	2,801
-	384,000	-	298,068	3,751,801
-	-	-	-	95,965
-	-	-	-	558,022
-	-	-	-	27,287
-	-	-	-	140,464
-	-	-	-	1,322,001
-	-	-	-	62,500
595,289	-	-	-	595,289
-	83,168	-	-	83,168
-	-	-	108,240	108,240
-	-	-	-	75,003
-	-	307,854	-	307,854
-	-	-	31,611	31,611
-	-	-	-	563,911
595,289	83,168	307,854	139,851	3,971,315
595,289	467,168	307,854	437,919	7,857,005

Adams County

Adams County

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

June 30, 2017

Total governmental fund balances (page 21) \$ 3,971,315

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 \$24,837,202 and the accumulated depreciation is \$7,327,266. 17,509,936

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. 2,801

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 fund, as follows:

Deferred outflows of resources	\$ 594,246	
Deferred inflows of resources	<u>(170,481)</u>	423,765

Long-term liabilities, including the revenue bonds, general obligation capital loan notes, compensated absences, 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. (6,502,376)

Net position of governmental activities (page 18) \$ 15,405,441

See notes to financial statements.

Adams County

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

Year ended June 30, 2017

	General	Special		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,734,607	143,994	883,351	-
Interest and penalty on property tax	19,698	-	-	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	507,739	10,818	57,052	2,691,199
Licenses and permits	1,082	-	2,375	2,445
Charges for service	436,840	-	1,500	50
Use of money and property	65,224	-	-	1,081
Miscellaneous	22,158	-	-	18,880
Total revenues	2,787,348	154,812	944,278	2,713,655
Expenditures:				
Operating:				
Public safety and legal services	1,224,815	-	20,000	-
Physical health and social services	120,309	-	23,932	-
Mental health	-	127,530	-	-
County environment and education	531,773	-	75,401	-
Roads and transportation	-	-	-	3,352,180
Governmental services to residents	294,615	-	1,815	-
Administration	768,780	-	-	-
Non-program	28,830	-	-	-
Debt service	-	-	-	-
Capital projects	5,000	-	-	185,881
Total expenditures	2,974,122	127,530	121,148	3,538,061
Excess (deficiency) of revenues over (under) expenditures	(186,774)	27,282	823,130	(824,406)
Other financing sources (uses):				
Transfers in	-	-	-	822,493
Transfers out	-	-	(822,493)	-
Sale of capital assets	-	-	-	2,883
Total other financing sources (uses)	-	-	(822,493)	825,376
Change in fund balances	(186,774)	27,282	637	970
Fund balances beginning of year	1,446,210	5	139,827	1,416,996
Fund balances end of year	\$ 1,259,436	27,287	140,464	1,417,966

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	300,700	3,062,652
-	-	-	-	19,698
-	373,897	-	-	373,897
248,985	-	-	-	248,985
148,902	41,750	-	34,158	3,491,618
-	-	-	-	5,902
-	-	-	918	439,308
-	501	-	66	66,872
-	-	-	-	41,038
397,887	416,148	-	335,842	7,749,970
-	-	-	10,000	1,254,815
-	-	-	-	144,241
-	-	-	-	127,530
111,399	-	-	-	718,573
-	-	-	-	3,352,180
-	-	-	242,900	539,330
50,000	-	-	-	818,780
10,300	-	-	-	39,130
-	366,307	-	319,755	686,062
800	-	387,055	-	578,736
172,499	366,307	387,055	572,655	8,259,377
225,388	49,841	(387,055)	(236,813)	(509,407)
-	-	-	243,292	1,065,785
(243,292)	-	-	-	(1,065,785)
-	-	-	-	2,883
(243,292)	-	-	243,292	2,883
(17,904)	49,841	(387,055)	6,479	(506,524)
613,193	33,327	694,909	133,372	4,477,839
595,289	83,168	307,854	139,851	3,971,315

Adams 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) \$ (506,524)

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

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

Expenditures for capital assets	\$ 881,485	
Capital assets contributed by the Iowa Department of Transportation	3,721,384	
Depreciation expense	<u>(927,402)</u>	3,675,467

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 38,300

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	(927)	
Other	<u>(5,202)</u>	(6,129)

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. 800,671

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 214,631

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	(15,864)	
Other postemployment benefits	(43,000)	
Pension expense	(182,564)	
Interest on long-term debt	<u>1,964</u>	(239,464)

Change in net position of governmental activities (page 19) \$ 3,976,952

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash and pooled investments:	
County Treasurer	\$ 553,602
Other County officials	1,714
Receivables:	
Property tax:	
Delinquent	2,144
Succeeding year	6,119,000
Accounts	3,349
Due from other governments	20,744
Special assessments	1,989
Total assets	6,702,542

Liabilities

Accounts payable	5,047
Salaries and benefits payable	7,579
Due to other governments	6,655,212
Trusts payable	1,436
Compensated absences	33,268
Total liabilities	6,702,542

Net position	\$ -
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See notes to financial statements.

Adams County

Adams County

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Adams County Assessor's Conference Board, Adams County Emergency Management Commission and the South Central Iowa Regional E-911 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: Creston Cluster Decat Program, Adams and Taylor Counties Regional Service Agency, Southern Hills Regional Mental Health Region, South Iowa Area Detention Service Agency and Adams, Taylor and Union County Medicaid Case Management Board.

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 Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used to make payments on the local option sales tax revenue bonds, with any remaining revenues used for any lawful purpose determined by the Board of Supervisors.

The Urban Renewal Fund receives revenues from a tax authorized by ordinance in the urban renewal district for repayment of tax increment financing indebtedness.

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, they 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.

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

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

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

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

Asset Class	Amount
Infrastructure and buildings	\$ 50,000
Land	10,000
Intangibles	50,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and infrastructure	20 - 100
Intangibles	5 - 20
Equipment and vehicles	3 - 30

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 and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50%, not to exceed 360 hours, upon retirement or death. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, the Special Revenue, Secondary Roads Fund and the Special Revenue, Mental Health Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the 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 the unrecognized items not yet charged 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. Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service and capital project functions prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

(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
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 822,493
Aquatic Center Sinking	Local Option Sales Tax	243,292
Total		<u>\$ 1,065,785</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	\$ 50,166	-	-	50,166
Construction in progress, road network	130,885	3,921,234	3,431,679	620,440
Intangibles, road network	215,100	-	-	215,100
Construction in progress	2,077,480	374,298	2,451,778	-
Total capital assets not being depreciated/amortized	<u>2,473,631</u>	<u>4,295,532</u>	<u>5,883,457</u>	<u>885,706</u>
Capital assets being depreciated:				
Buildings	2,957,328	510,091	-	3,467,419
Improvements to building	-	730,661	-	730,661
Equipment and vehicles	3,880,692	425,122	252,386	4,053,428
Infrastructure, road network	10,711,273	3,431,679	-	14,142,952
Infrastructure, other	346,010	1,211,026	-	1,557,036
Total capital assets being depreciated	<u>17,895,303</u>	<u>6,308,579</u>	<u>252,386</u>	<u>23,951,496</u>
Less accumulated depreciation for:				
Buildings	1,693,419	83,417	-	1,776,836
Improvements other than buildings	-	48,711	-	48,711
Equipment and vehicles	2,322,670	272,099	172,901	2,421,868
Infrastructure, road network	2,533,609	419,373	-	2,952,982
Infrastructure, other	23,067	103,802	-	126,869
Total accumulated depreciation	<u>6,572,765</u>	<u>927,402</u>	<u>172,901</u>	<u>7,327,266</u>
Total capital assets being depreciated, net	<u>11,322,538</u>	<u>5,381,177</u>	<u>79,485</u>	<u>16,624,230</u>
Governmental activities capital assets, net	<u>\$ 13,796,169</u>	<u>9,676,709</u>	<u>5,962,942</u>	<u>17,509,936</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 90,318
Physical health and social services	5,972
County environment and education	244,526
Roads and transportation	579,383
Administration	7,203
Total depreciation expense - governmental activities	<u>\$ 927,402</u>

(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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Agricultural Extension Education	Collections	\$ 93,939
County Assessor		315,967
Schools		4,754,661
Community Colleges		276,201
Corporations		740,779
Townships		151,063
Auto License and Use Tax		110,600
All other		212,002
Total for agency funds		<u>\$ 6,655,212</u>

(6) Long-Term Liabilities

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

	<u>Urban Renewal Tax Increment Revenue Bonds</u>	<u>Local Option Sales Tax Revenue Bonds</u>	<u>General Obligation Capital Loan Notes</u>	<u>Compen- sated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 1,776,114	555,000	2,845,000	262,587	1,109,532	226,000	6,774,233
Increases	-	-	-	308,061	460,962	43,000	812,023
Decreases	320,671	220,000	260,000	292,197	-	-	1,092,868
Balance end of year	<u>\$ 1,455,443</u>	<u>335,000</u>	<u>2,585,000</u>	<u>278,451</u>	<u>1,570,494</u>	<u>269,000</u>	<u>6,493,388</u>
Due within one year	<u>\$ 329,355</u>	<u>75,000</u>	<u>265,000</u>	<u>50,190</u>	<u>-</u>	<u>-</u>	<u>719,545</u>

Urban Renewal Tax Increment Revenue Bonds

The County sold \$2,400,000 and \$1,660,000 of urban renewal tax increment (TIF) revenue bonds dated January 26, 2007 and February 13, 2007, respectively. The bonds bear interest at 2.9% per annum with final maturity on December 1, 2021. On June 1, 2021, the interest rate on the bonds shall be adjusted to a rate 130 basis points higher than the five year U.S. Treasury rate as published in the Wall Street Journal. Principal and interest on the bonds shall be payable in semiannual payments of \$108,268 and \$74,885, respectively, on June 1 and December 1 beginning December 1, 2009 and continuing through a final payment of all remaining principal and interest on December 1, 2021.

The County reserves the right to call and prepay any principal amount of these bonds at any time upon the County giving notice by registered or certified mail to the purchaser or other registered holder not less than thirty days prior to the date set for prepayment.

The County has covenanted it will call and prepay any principal amounts of these bonds on June 1 of each year in an amount equal to the balance of funds remaining in the Special Revenue, Urban Renewal Fund after the then current June 1 payments of principal and interest have been made.

Formal repayment schedules have been established for the urban renewal tax increment revenue bonds. However, these are subject to change depending on the County's right to prepay the bonds at any time and the adjustable interest rate.

Details of the County's June 30, 2017 urban renewal tax increment revenue bond indebtedness are as follows:

Year Ending June 30,	Series 2006			Series 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2018	2.9%	\$ 193,019	23,517	2.9%	\$ 136,336	13,434	329,355	36,951	366,306
2019	2.9%	198,246	18,290	2.9%	140,028	9,742	338,274	28,032	366,306
2020	2.9%	203,615	12,921	2.9%	143,820	5,950	347,435	18,871	366,306
2021	2.9%	209,129	7,407	2.9%	113,091	2,055	322,220	9,462	331,682
2022	2.9%	118,159	1,744	2.9%	-	-	118,159	1,744	119,903
Total		\$922,168	63,879		\$533,275	31,181	1,455,443	95,060	1,550,503

The urban renewal tax increment revenue bonds were issued for the purpose of paying costs of an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of the bonds. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the County's urban renewal area. The total principal and interest remaining on the bonds is \$1,550,503, payable through fiscal year 2022. For the current year, principal and interest paid and tax increment receipts were \$366,307 and \$373,897, respectively. The bonds are not a general obligation of the County, but the debt is subject to the constitutional debt limitation of the County. The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will only be redeemed from the urban renewal tax increment revenue received by the County. The County accounts for this activity within the Special Revenue, Urban Renewal Fund.
- (b) The first \$1,500,000 of bond proceeds shall be used to fully fund the water grant for the City of Corning. The next \$520,000 of bond proceeds shall be used by the County to pay the costs of highway improvements. Next, sufficient bond proceeds shall be set aside to pay the costs of issuance of the bonds and to make provision for the payment of interest on the bonds through December 1, 2009. Finally, any remaining bond proceeds shall be used to fund an initial installment of the Pinnacle Ethanol, LLC grant.

During the year ended June 30, 2017, the County was in compliance with the revenue bond provisions.

Local Option Sales Tax Revenue Bonds

The County issued local option sales tax revenue bonds for a joint project with the City of Corning under a 28E agreement. The County has pledged future local option sales tax receipts to repay \$1,025,000 of local option sales tax revenue bonds, Series 2008 issued in July 2008. Proceeds from the bonds provided financing for an Aquatic Center in Corning to be operated by the City of Corning under a 28E Joint Operation Agreement. The bonds are payable solely from the proceeds of the local option sales tax received by the County and \$25,220 per year to be received from the City of Corning in accordance with the 28E Joint Operation Agreement and Chapters 423B.9(3) and 384.83 of the Code of Iowa. In October 2016, the City of Corning paid \$148,902 to the County representing the remainder of their portion of the outstanding bonds. Total principal and interest remaining to be paid on the bonds is \$375,138. For the current year, principal and interest paid and total local option sales tax collections were \$241,257 and \$248,985, respectively.

Details of County’s June 30, 2017 local option sales tax revenue bonds is as follows:

Year	Ending	Interest	Principal	Interest	Total
June 30,	Rates				
2018	4.25%	\$ 75,000	14,655	89,655	
2019	4.35%	75,000	11,468	86,468	
2020	4.45%	80,000	8,205	88,205	
2021	4.45%	80,000	4,685	84,685	
2022	4.45%	25,000	1,125	26,125	
Total		<u>\$ 335,000</u>	<u>40,138</u>	<u>375,138</u>	

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales tax revenue received by the County and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established and sufficient monthly deposits shall be made to the sinking account for the purpose of making bond principal and interest payments when due.
- (c) A local option sales tax revenue bond reserve account shall be established and monthly deposits to the reserve account equal to 25% of the amount required to be deposited into the sinking account shall be made until \$96,450 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

During the year ended June 30, 2017, the County was in compliance with the revenue bond provisions.

General Obligation Capital Loan Notes

The County sold \$3,120,000 of general obligation capital loan notes dated May 20, 2015. The notes bear interest at rates ranging from 1.75% to 2.50% per annum with final maturity on June 1, 2026. Semiannual interest payments are due on June 1 and December 1 each year beginning December 1, 2015 and annual principal payments are due on June 1 each year beginning June 1, 2016.

The loan proceeds are to be used for constructing and equipping improvements to the Lake Icaria Timber Ridge campground to be managed by the County Conservation Board and the expansion of the County Haven sewer system.

Details of the County's June 30, 2017 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2018	2.00%	\$ 265,000	54,053	319,053
2019	2.00	270,000	48,755	318,755
2020	2.00	275,000	43,355	318,355
2021	2.00	280,000	37,855	317,855
2022	2.00	290,000	32,255	322,255
2023-2026	1.75-2.00	1,205,000	71,830	1,276,830
Total		\$ 2,585,000	288,103	2,873,103

(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 Sheriff, deputies and the County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 were \$214,631.

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 \$1,570,494 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 0.024955%, which was an increase of 0.002497% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$182,564. 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	\$ 12,792	35,140
Changes of assumptions	22,082	7,082
Net difference between projected and actual earnings on IPERS' investments	303,720	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	41,021	128,259
County contributions subsequent to the measurement date	214,631	-
Total	\$ 594,246	170,481

\$214,631 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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
2017	\$ (1,763)
2018	(1,763)
2019	124,770
2020	87,026
2021	864
Total	\$ 209,134

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:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 2,838,156	1,570,494	501,689

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for employees, retirees and their spouses. There are 68 active and no retired members in the plan. Retired participants must be age 55 or age 50 with 22 years of service at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount 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	\$ 43,000
Interest on net OPEB obligation	9,000
Adjustment to annual required contribution	<u>(9,000)</u>
Annual OPEB cost	43,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	43,000
Net OPEB obligation beginning of year	<u>226,000</u>
Net OPEB obligation end of year	<u>\$ 269,000</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, no contributions were made by the County to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 44,000	15.9%	\$ 183,000
2016	43,000	0.0	226,000
2017	43,000	0.0	269,000

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 \$261,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$261,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,205,000 and the ratio of the UAAL to covered payroll was 11.8%. 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 County 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 County 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 fully generational using scale MP-2015.

Projected claim costs of the medical plan range from \$1,067 per month to \$1,167 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were \$132,169.

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 \$1,000,000 and \$50,000, 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) Industrial Development Revenue Bonds

The County has issued a total of \$1,895,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$310,000 is outstanding at June 30, 2017. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(11) 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. The County's share of the debt is 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking and Reserve Fund, into which sufficient funds to pay the principal and interest on the loan were to be deposited from the County's General Fund. 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 and will then reassign the balance of the funds set aside within the General Fund.

(12) Jointly Governed Organization

The County participates in the Adams, Taylor and Union County Medicaid Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2017:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 343,951
Deductions:		
Direct administration:		
Salaries	\$ 203,250	
Benefits	64,435	
Case management:		
Rent	109	
Office supplies	2,690	
Telephone	2,545	
Travel and training	10,753	
Administrative	307	
Refunds to Iowa Medicaid	58,640	
Equipment	16,807	359,536
Net		(15,585)
Balance beginning of year		179,924
Balance end of year		<u>\$ 164,339</u>

(13) Adams County Financial Information Included in the Southern Hills Regional Mental Health Region

Southern Hills Regional 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, Adams, Taylor and Union. The financial activity of Adams County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		\$ 143,994
Intergovernmental:		
State tax credits	\$ 9,498	
Other	1,320	10,818
Total revenues		154,812
Expenditures:		
General administration:		
Distribution to regional fiscal agent		127,530
Excess of revenues over expenditures		27,282
Fund balance beginning of year		5
Fund balance end of year		\$ 27,287

(14) Ambulance Agreement

Beginning December 1988, the County entered into an agreement with Mercy Hospital (now known as Alegent Health Mercy Hospital) of Corning, Iowa to manage the operations of the Ambulance Rescue. The County annually compensates Alegent Health Mercy Hospital a negotiated amount for these operations, which was \$40,000 for the year ended June 30, 2017. Under the agreement, the County owns the equipment necessary for the Ambulance Rescue operations. In the event the agreement is terminated, any remaining funds held by Alegent Health Mercy Hospital in the Ambulance cash account are to be returned to the County. At June 30, 2017, the balance of the account held by Alegent Health Mercy Hospital is \$338,343.

(15) 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.

(16) Subsequent Events

In October 2017, the County approved the purchase of a Deere 772G AWD motor grader for \$210,588 and used a 2007 Caterpillar motor grader as trade-in for \$71,500.

In December 2017, the County approved Resolution 2017-23 selling the County farm and County care facility property for \$1,005,603.

Adams County

Required Supplementary Information

Adams County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual
				Variance
Receipts:				
Property and other county tax	\$ 3,739,412	3,705,809	3,705,807	33,605
Interest and penalty on property tax	19,744	-	-	19,744
Intergovernmental	3,432,491	3,025,147	3,025,369	407,122
Licenses and permits	6,781	10,138	10,138	(3,357)
Charges for service	435,879	365,915	420,915	14,964
Use of money and property	70,451	84,895	82,410	(11,959)
Miscellaneous	55,001	22,045	22,441	32,560
Total receipts	7,759,759	7,213,949	7,267,080	492,679
Disbursements:				
Public safety and legal services	1,217,512	1,208,081	1,379,927	162,415
Physical health and social services	148,899	227,966	229,466	80,567
Mental health	153,310	153,310	153,310	-
County environment and education	703,400	684,835	785,036	81,636
Roads and transportation	3,510,455	3,835,000	3,835,000	324,545
Governmental services to residents	294,261	343,057	343,057	48,796
Administration	812,920	823,154	828,572	15,652
Non-program	39,656	42,500	42,500	2,844
Debt service	927,319	779,952	1,079,952	152,633
Capital projects	578,737	305,500	692,607	113,870
Total disbursements	8,386,469	8,403,355	9,369,427	982,958
Excess (deficiency) of receipts over (under) disbursements	(626,710)	(1,189,406)	(2,102,347)	1,475,637
Other financing sources, net	2,883	-	-	2,883
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(623,827)	(1,189,406)	(2,102,347)	1,478,520
Balance beginning of year	4,339,818	2,972,882	2,972,882	1,366,936
Balance end of year	\$ 3,715,991	1,783,476	870,535	2,845,456

See accompanying independent auditor's report.

Adams County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 7,759,759	(9,789)	7,749,970
Expenditures	8,386,469	(127,092)	8,259,377
Net	(626,710)	117,303	(509,407)
Other financing sources, net	2,883	-	2,883
Beginning fund balances	4,339,818	138,021	4,477,839
Ending fund balances	<u>\$ 3,715,991</u>	<u>255,324</u>	<u>3,971,315</u>

See accompanying independent auditor's report.

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$966,072. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2017, disbursements in the debt service and capital projects functions exceeded the amount budgeted prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

Adams County

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

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

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.024955%	0.022458%	0.024638%
County's proportionate share of the net pension liability	\$ 1,570	1,109	977
County's covered-employee payroll	\$ 2,227	2,096	2,152
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.50%	52.91%	45.40%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Adams 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	\$ 215	204	193	207
Contributions in relation to the statutorily required contribution	<u>(215)</u>	<u>(204)</u>	<u>(193)</u>	<u>(207)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 2,349	2,227	2,096	2,152
Contributions as a percentage of covered-employee payroll	9.15%	9.16%	9.21%	9.62%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
198	181	155	143	129	115
(198)	(181)	(155)	(143)	(129)	(115)
-	-	-	-	-	-
2,232	2,185	2,094	2,033	1,971	1,869
8.87%	8.28%	7.40%	7.03%	6.54%	6.15%

Adams 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.

Adams 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 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)
2011	July 1, 2009	-	\$ 243	243	0.0%	\$ 1,960	12.4%
2012	July 1, 2009	-	243	243	0.0	2,000	12.2
2013	July 1, 2012	-	246	246	0.0	1,600	15.4
2014	July 1, 2012	-	246	246	0.0	2,100	11.7
2015	July 1, 2012	-	246	246	0.0	2,096	11.7
2016	July 1, 2015	-	261	261	0.0	1,911	13.7
2017	July 1, 2015	-	261	261	0.0	2,205	11.8

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

See accompanying independent auditor's report.

Adams County

Supplementary Information

Adams County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2017

		Special
	County Recorder's Records Management	Resource Enhancement and Protection
Assets		
Cash and pooled investments	\$ 3,617	16,902
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Total assets	\$ 3,617	16,902
Deferred Inflows of Resources and Fund Balances		
Deferred inflows of resources:		
Unavailable resources:		
Succeeding year property tax	\$ -	-
Other	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for:		
Debt service	-	-
Other purposes	3,617	16,902
Total fund balances	3,617	16,902
Total deferred inflows of resources and fund balances	\$ 3,617	16,902

See accompanying independent auditor's report.

Revenue					
Law Enforcement Forfeiture	Aquatic Center Reserve	Aquatic Center Sinking	Debt Service		Total
9,057	96,450	2,035	11,790		139,851
-	-	-	68		68
-	-	-	298,000		298,000
<u>9,057</u>	<u>96,450</u>	<u>2,035</u>	<u>309,858</u>		<u>437,919</u>
-	-	-	298,000		298,000
-	-	-	68		68
-	-	-	<u>298,068</u>		<u>298,068</u>
-	96,450	-	11,790		108,240
<u>9,057</u>	-	<u>2,035</u>	-		<u>31,611</u>
<u>9,057</u>	<u>96,450</u>	<u>2,035</u>	<u>11,790</u>		<u>139,851</u>
<u>9,057</u>	<u>96,450</u>	<u>2,035</u>	<u>309,858</u>		<u>437,919</u>

Adams County

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

Year ended June 30, 2017

	County Recorder's Records Management	Special Resource Enhancement and Protection
Revenues:		
Property tax	\$ -	-
Intergovernmental	-	11,007
Charges for service	918	-
Use of money and property	16	50
Total revenues	934	11,057
Expenditures:		
Operating:		
Public safety and legal services	-	-
Government services to residents	1,643	-
Debt service	-	-
Total expenditures	1,643	-
Excess (deficiency) of revenues over (under) expenditures	(709)	11,057
Other financing sources:		
Transfers in	-	-
Change in fund balances	(709)	11,057
Fund balances beginning of year	4,326	5,845
Fund balances end of year	\$ 3,617	16,902

See accompanying independent auditor's report.

<u>Revenue</u>				
Law Enforcement Forfeiture	Aquatic Center Reserve	Aquatic Center Sinking	Debt Service	Total
-	-	-	300,700	300,700
-	-	-	23,151	34,158
-	-	-	-	918
-	-	-	-	66
-	-	-	323,851	335,842
10,000	-	-	-	10,000
-	-	241,257	-	242,900
-	-	-	319,755	319,755
10,000	-	241,257	319,755	572,655
(10,000)	-	(241,257)	4,096	(236,813)
-	-	243,292	-	243,292
(10,000)	-	2,035	4,096	6,479
19,057	96,450	-	7,694	133,372
9,057	96,450	2,035	11,790	139,851

Adams County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,917	125,912	71,547
Other County officials	1,714	-	-	-
Receivables:				
Property tax:				
Delinquent	-	22	49	1,114
Succeeding year	-	92,000	203,000	4,682,000
Accounts	88	-	-	-
Due from other governments	-	-	-	-
Special assessments	-	-	-	-
Total assets	\$ 1,802	93,939	328,961	4,754,661
Liabilities				
Accounts payable	\$ -	-	746	-
Salaries and benefits payable	-	-	2,027	-
Due to other governments	366	93,939	315,967	4,754,661
Trusts payable	1,436	-	-	-
Compensated absences	-	-	10,221	-
Total liabilities	\$ 1,802	93,939	328,961	4,754,661

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
4,135	19,887	2,062	110,600	217,542	553,602
-	-	-	-	-	1,714
66	892	1	-	-	2,144
272,000	720,000	149,000	-	1,000	6,119,000
-	-	-	-	3,261	3,349
-	-	-	-	20,744	20,744
-	-	-	-	1,989	1,989
<u>276,201</u>	<u>740,779</u>	<u>151,063</u>	<u>110,600</u>	<u>244,536</u>	<u>6,702,542</u>
-	-	-	-	4,301	5,047
-	-	-	-	5,552	7,579
276,201	740,779	151,063	110,600	211,636	6,655,212
-	-	-	-	-	1,436
-	-	-	-	23,047	33,268
<u>276,201</u>	<u>740,779</u>	<u>151,063</u>	<u>110,600</u>	<u>244,536</u>	<u>6,702,542</u>

Adams 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
Balances beginning of year	\$ 8,268	89,788	282,890	4,477,639
Additions:				
Property and other county tax	-	92,918	204,145	4,717,204
State tax credits	-	6,683	10,232	339,589
Office fees and collections	98,284	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	9,906	-	-	-
Miscellaneous	88	-	18,899	-
Total additions	108,278	99,601	233,276	5,056,793
Deductions:				
Agency remittances:				
To other funds	25,987	-	-	-
To other governments	72,250	95,450	187,205	4,779,771
Trusts paid out	16,507	-	-	-
Total deductions	114,744	95,450	187,205	4,779,771
Balances end of year	\$ 1,802	93,939	328,961	4,754,661

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
260,451	752,483	152,058	92,990	228,069	6,344,636
274,426	652,608	153,100	-	977	6,095,378
19,489	117,969	9,232	-	73	503,267
-	-	-	-	-	98,284
-	-	-	1,491,827	-	1,491,827
-	-	-	-	17,534	17,534
-	-	-	-	42,910	52,816
-	-	-	-	422,662	441,649
293,915	770,577	162,332	1,491,827	484,156	8,700,755
-	-	-	53,090	13	79,090
278,165	782,281	163,327	1,421,127	467,676	8,247,252
-	-	-	-	-	16,507
278,165	782,281	163,327	1,474,217	467,689	8,342,849
276,201	740,779	151,063	110,600	244,536	6,702,542

Adams County

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

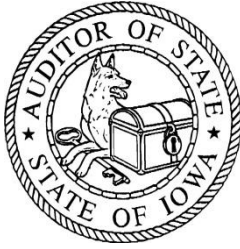
For the Last Ten Years

				Modified
	2017	2016	2015	2014
Revenues:				
Property and other county tax	\$ 3,062,652	2,953,017	2,476,388	2,392,059
Interest and penalty on property tax	19,698	18,589	17,285	17,096
Tax increment financing	373,897	334,127	373,742	397,196
Local option sales tax	248,985	274,145	233,192	202,547
Intergovernmental	3,491,618	3,659,400	3,202,252	2,806,121
Licenses and permits	5,902	20,949	7,735	5,640
Charges for service	439,308	350,192	405,596	363,221
Use of money and property	66,872	85,303	95,303	90,557
Miscellaneous	41,038	109,208	25,660	101,142
Total	<u>\$ 7,749,970</u>	<u>7,804,930</u>	<u>6,837,153</u>	<u>6,375,579</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,254,815	1,004,340	1,005,353	1,035,040
Physical health and social services	144,241	230,638	233,636	255,978
Mental health	127,530	177,392	413,965	122,310
County environment and education	718,573	789,572	705,218	834,689
Roads and transportation	3,352,180	3,400,775	2,818,929	2,518,062
Governmental services to residents	539,330	297,466	274,882	221,158
Administration	818,780	746,236	672,365	740,065
Non-program	39,130	12,751	85,855	21,201
Debt service	686,062	950,595	517,029	458,150
Capital projects	578,736	2,321,276	317,837	61,580
Total	<u>\$ 8,259,377</u>	<u>9,931,041</u>	<u>7,045,069</u>	<u>6,268,233</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
2,625,777	2,579,811	2,514,840	2,515,367	2,412,765	2,090,860
17,379	16,261	17,243	18,014	16,566	15,775
446,775	452,223	448,251	461,773	339,266	-
224,368	166,691	261,149	234,602	219,315	191,044
2,954,525	3,071,193	3,002,653	3,247,422	3,073,040	3,091,894
16,486	25,738	13,491	8,935	7,276	7,180
344,600	439,858	335,492	313,756	278,870	253,996
99,952	110,519	135,184	128,962	140,169	153,311
94,483	123,986	39,899	143,101	32,199	81,452
6,824,345	6,986,280	6,768,202	7,071,932	6,519,466	5,885,512
1,011,089	1,052,672	898,524	949,665	863,689	681,100
269,069	287,071	274,202	247,163	242,874	375,854
307,966	632,781	692,087	504,319	493,423	443,164
569,463	678,705	603,572	556,799	606,455	662,943
2,710,813	2,866,744	2,694,208	2,702,888	2,577,439	2,697,078
293,350	195,821	202,132	193,933	187,630	173,382
710,976	672,123	648,868	699,223	566,751	570,795
34,409	55,617	13,337	14,870	21,918	20,809
460,279	912,350	516,887	521,316	393,155	318,410
17,267	2,010	450	19,015	1,001,776	282,631
6,384,681	7,355,894	6,544,267	6,409,191	6,955,110	6,226,166

Adams County



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

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Auditor of State

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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 Adams 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 Adams 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 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adams 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 Adams County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adams 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, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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

Compliance and Other Matters

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

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


Adams County's Responses to the Findings

Adams County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adams 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 Adams 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 20, 2018

Adams County

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) County Treasurer – The duties of opening and listing mail receipts, collecting, posting and maintaining the detailed accounts receivable listing are not segregated. A list of checks received in the mail is not periodically completed and compared with recorded receipts by an independent person.
- (2) County Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A list of receipts received in the mail is not prepared by the person opening the mail. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (3) County Sheriff – The duties of collecting, depositing, posting and daily reconciling are not segregated. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (4) Conservation – The duties of collecting, depositing, posting and daily reconciling are not segregated.

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 employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials and other County personnel. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of review.

Adams County

Schedule of Findings

Year ended June 30, 2017

Responses –

County Treasurer – The Treasurer’s office will continue to review operating procedures to improve internal controls. The Treasurer and staff currently have many procedures in place to review and sign financial transactions, reconciliations and reports but will continue to explore additional controls and a procedure to have an independent person review periodic transactions that are received in the mail.

County Recorder – Being a two person office has its challenges and we will continue to review our policies. We will continue logging mail containing checks or cash.

County Sheriff and Conservation – Each of the departments will review their office procedures and attempt to comply.

Conclusion – Responses accepted.

(B) Financial Reporting

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

Condition – During the audit, we identified material amounts of receivables, payables and capital asset depreciation which were not recorded in the County’s financial statements or were recorded in the wrong fiscal year. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions and depreciation expense 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 implement procedures to ensure all receivables, payables and capital assets are identified and properly included in the County’s financial statements.

Response – We will continue to try to comply with the recommendation.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2017

(C) Capital Assets Inventory

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all assets by maintaining appropriate accounting records along with an independent review.

Condition – The capital assets listing was not reviewed periodically by an independent person to verify whether assets on the listing existed or all assets were included on the capital assets listing.

Cause – Policies have not been established and procedures have not been implemented to require a periodic independent review of assets.

Effect – Capital assets could be intentionally or unintentionally omitted from the capital asset listing resulting in an overstatement or understatement of assets.

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital assets listing should periodically verify assets on the listing to ensure the capital assets exist and all capital assets are included on the listing.

Response – We will continue to try to comply.

Conclusion – Response accepted.

(D) County Sheriff

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

Condition – During the fiscal year, monthly book to bank reconciliations, including a list of outstanding checks and deposits in transit, were not prepared prior to October 2016. Although the County Sheriff prepares a monthly trust list, the list was not reconciled to the bank balance or book balance. In addition, an initial listing of receipts is not prepared and receipts are not deposited timely.

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

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

Adams County

Schedule of Findings

Year ended June 30, 2017

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved timely. A listing of outstanding checks and deposits in transit should be prepared and retained monthly. Also, the book balance should be reconciled to a trust list on hand at the end of each month. An independent review of the reconciliation should be performed periodically and should be documented by the signature or initials of the reviewer and the date of review.

In addition, an initial listing of receipts should be prepared and reconciled to the bank deposit and the accounting records by an independent person and the review should be documented. The receipts should be deposited in a timely manner and checks should be restrictively endorsed immediately upon receipt.

Response – Since October 2016, the County has a new software which provides monthly reconciliations. The Sheriff reviews the reconciliation with the bank statement to ensure that it matches and then signs the bank statement and reconciliation report that is printed from the computer. The reconciliation shows checks outstanding and checks that have been cleared during the month.

All checks that come into the Sheriff's office are immediately stamped and put in a locked cabinet waiting for deposit, which is done in a timely manner.

Conclusion – Response acknowledged. In addition, an initial listing of receipts should be prepared and reconciled to the bank deposit and the accounting records by an independent person. This review should also be documented.

(E) County Sheriff – Receipts

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

Condition – While current receipts are recorded in a receipt book, receipt books were not maintained prior to September 23, 2016.

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

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Receipt books should be maintained for all receipts collected.

Response – Monthly reports from the new software now list all receipts collected.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2017

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Adams County

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service and capital projects functions prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Response – We will continue to try to comply.

Conclusion – Response accepted.

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

<u>Name, Title and Buisness Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Douglas Birt, Board of Supervisors, Part Owner of Graphic Ideas	Printing and supplies	\$ 202

The transactions with Douglas Birt do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – Except for the following, no transactions were found that we believe should have been approved in the Board minutes but were not.

The minutes did not reflect approval for two claims from the County Sheriff’s department.

Recommendation – The County should ensure all claims are properly approved and the approval should be documented in the minutes.

Adams County

Schedule of Findings

Year ended June 30, 2017

Response – We will continue to try to comply. Corrections have already been made.

Conclusion – Response accepted.

- (7) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

- (10) Revenue Bonds – No instances of non-compliance with the urban renewal tax increment and local option sales tax revenue bond provisions were noted.
- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted
- (12) 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 back of each cancelled check was not obtained by the County Sheriff.

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

Response – The County Sheriff has talked to the bank. They will scan the backs of all cancelled checks and put them with the front of the checks in the bank statements which are sent to our office.

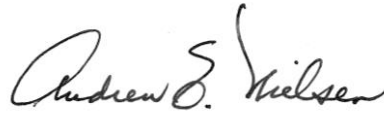
Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Alex N. Kawamura, CPA, Staff Auditor
Justin M. Gibbons, Staff Auditor
Mark D. Newhall, Staff Auditor
Libby C. Lamfers, Staff Auditor
Taylor N. Kivell, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State