OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
515/281-5834

FOR RELEASE March 28, 2018

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

The County had local tax revenue of $11,288,047 for the year ended June 30, 2017 which included $996,743 in tax credits from the state. The County forwarded $7,581,326 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $3,706,721 of the local tax revenue to finance County operations, a 7.5% increase over the prior year. Other revenues included charges for service of $694,178, operating grants, contributions and restricted interest of $4,150,407, capital grants, contributions and restricted interest of $673,087, local option sales tax of $254,192, unrestricted investment earnings of $14,233 and other general revenues of $133,799.

Expenses for County operations for the year ended June 30, 2017 totaled $9,087,018, a 2.1% increase over the prior year. Expenses included $4,726,472 for roads and transportation, $1,520,947 for public safety and legal services and $819,797 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/1710-0027-B00F.

# # #

DECATUR COUNTY

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

JUNE 30, 2017

Table of Contents

Decatur County

Officials

(Before January 2017)

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

(After January 2017)

Name	Title	Term Expires
Gary Boswell	Board of Supervisors	(Resigned Jan 2017)
J. R. Cornett (Appointed Jan 2017)	Board of Supervisors	Mar 2017
Robert G. Bell (Elected Apr 2017)	Board of Supervisors	Jan 2019
Dan Christensen	Board of Supervisors	Jan 2021
Jim Fulton	Board of Supervisors	Jan 2021
Stephanie Daughton	County Auditor	Jan 2021
Kathy Martin (Elected Apr 2017)	County Treasurer	Jan 2019
Gale Norman	County Recorder	Jan 2019
Ben Boswell	County Sheriff	Jan 2021
Lisa Hynden-Jeanes	County Attorney	Jan 2019
Justin Cornett	County Assessor	Jan 2022

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Mary Mosiman, CPA
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Independent Auditor's Report

To the Officials of Decatur County:

Report on the Financial Statements

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 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 March 14, 2018 on our consideration of Decatur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Decatur County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 14, 2018

Decatur County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 18.4%, or approximately $2,175,000, from fiscal year 2016 to fiscal year 2017. Program revenues decreased approximately $2,197,000 and property and other county tax increased approximately $241,000.

- The County's governmental activities expenses increased 2.1%, or approximately $191,000, over fiscal year 2016. County environment and education expenses increased 21.4%, or approximately $92,000, mental health expenses increased 10.0%, or approximately $36,000 and public safety and legal services expenses increased 2.5%, or approximately $37,000.

- The County's net position at June 30, 2017 increased approximately $539,000 over the June 30, 2016 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Decatur County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Decatur County's net position increased from approximately $21.3 million to approximately $21.8 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities
(Expressed in Thousands)

	June 30, 2017	June 30, 2016
Current and other assets	$ 8,334	7,382
Capital assets	23,426	23,517
Total assets	31,760	30,899
Deferred outflows of resources	804	436
Long-term liabilities	6,120	6,029
Other liabilities	362	399
Total liabilities	6,482	6,428
Deferred inflows of resources	4,275	3,639
Net position:		
Net investment in capital assets	20,110	19,948
Restricted	3,213	2,674
Unrestricted	(1,516)	(1,354)
Total net position	$ 21,807	21,268

The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately $162,000, primarily due to infrastructure contributed by the Iowa Department of Transportation.

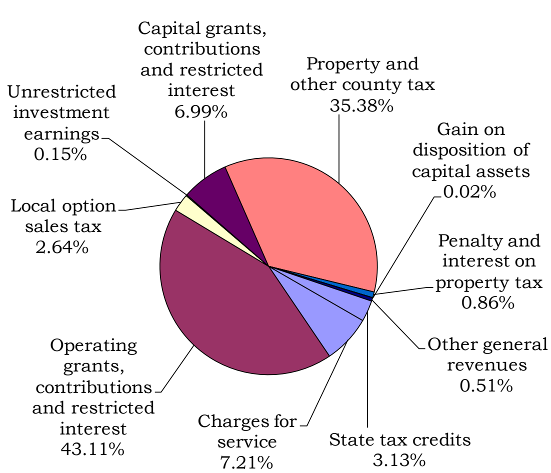
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased 20.2%, or approximately $539,000, primarily due to increased net position restricted for secondary roads and rural services which increased approximately $345,000 and $60,000, respectively.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased from a deficit of approximately $1,354,000 at June 30, 2016 to a deficit of approximately $1,516,000 at the end of this year, a decrease of 12%. The deficit is primarily due to the net pension liability.

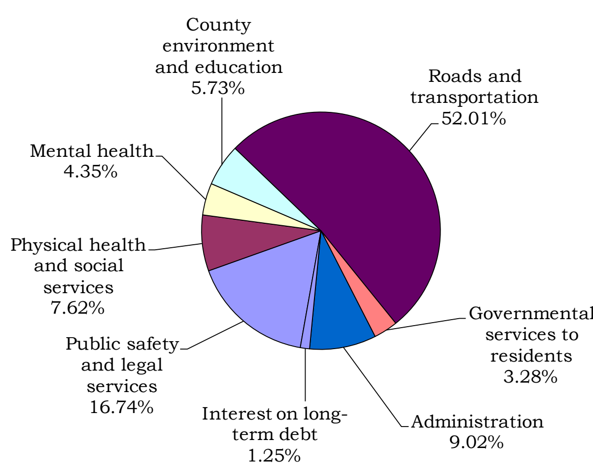
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2017	2016
Revenues:		
Program revenues:		
Charges for service	$ 694	906
Operating grants, contributions and restricted interest	4,150	3,788
Capital grants, contributions and restricted interest	673	3,020
General revenues:		
Property and other county tax	3,406	3,165
Penalty and interest on property tax	83	76
State tax credits	301	282
Local option sales tax	254	260
Unrestricted investment earnings	14	7
Gain on disposition of capital assets	2	32
Other general revenues	49	265
Total revenues	9,626	11,801
Program expenses:		
Public safety and legal services	1,521	1,484
Physical health and social services	692	736
Mental health	395	359
County environment and education	521	429
Roads and transportation	4,726	4,686
Governmental services to residents	298	303
Administration	820	802
Interest on long-term debt	114	97
Total expenses	9,087	8,896
Change in net position	539	2,905
Net position beginning of year	21,268	18,363
Net position end of year	$ 21,807	21,268

Revenues by Source



Expenses by Function



Revenues for governmental activities totaled approximately $9,626,000, a decrease of 18.4% from the prior year. Property and other county tax revenues account for 35.4% of governmental activities revenues and increased approximately $241,000 over the prior year. In fiscal year 2017, the urban tax rate was $12.096580 per $1,000 of taxable valuation compared to the fiscal year 2016 tax rate of $11.16752 per $1,000 of taxable valuation. The rural tax rate in fiscal year 2017 was $15.53504 per $1,000 of taxable valuation compared to the fiscal year 2016 tax rate of $15.10598 per $1,000 of taxable valuation.

Charges for service revenues decreased approximately $212,000. Operating grants, contributions and restricted interest increased approximately $362,000. Capital grants, contributions and restricted interest decreased approximately $2,347,000, primarily due to fewer capital assets contributed by the Iowa Department of Transportation in the current year.

The cost of all governmental activities was approximately $9.1 million for fiscal year 2017 compared to approximately $8.9 million for fiscal year 2016. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $3,569,000 because some of the costs were paid by those directly benefiting from the programs (approximately $694,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $4,823,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2017 from approximately $7,714,000 to approximately $5,517,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of $3,057,024, an increase of $195,321 over last year's total of $2,861,703. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately $55,000, or 1.7%, over the prior year while expenditures decreased approximately $255,000, or 6.9%, from the prior year. The ending fund balance decreased approximately $40,000 from the prior year to approximately $423,000.

- Special Revenue, Mental Health Fund expenditures increased approximately $118,000, or 50.9%, over the prior year while revenues decreased approximately $7,000, or 2.1%. The ending fund balance decreased approximately $17,000 from the prior year to approximately $763,000.

- Special Revenue, Rural Services Fund expenditures increased approximately $49,000, or 20.1%, over the prior year while revenues decreased approximately $59,000, or 6.6%. The ending fund balance increased approximately $66,000 over the prior year to approximately $341,000.

- Special Revenue, Secondary Roads Fund expenditures decreased approximately $339,000 from the prior year while revenues increased approximately $78,000. The Secondary Roads Fund balance at year end increased approximately $159,000, or 14%, to approximately $1,294,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in December 2016 and resulted in an increase in budgeted disbursements of $412,187. The primary reason for this amendment was to reflect the increased cost of public safety and legal services. The second amendment was made in April 2017 and resulted in an increase in budgeted disbursements of $515,252. The primary reason for this amendment was to reflect increases cost of road maintenance.

The County's receipts were $43,856 less than budgeted, a variance of approximately 1.0%. Total disbursements were $999,515, or 7.6%, less than the final amended budget. Mental health function disbursements were approximately $483,000 less than the final budget due to the delay in the start of the County's Assertive Community Treatment (ACT) program and the related supporting housing program during fiscal year 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Decatur County had approximately $23.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net decrease (including additions and deletions) of approximately $91,000, or 0.4%, from last year.

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

	June 30, 2017	June 30, 2016
Land	$ 3,075	3,075
Construction in progress	587	2,480
Buildings and improvements	4,669	4,786
Equipment and vehicles	1,499	1,500
Intangibles	520	520
Infrastructure	13,076	11,156
Total	$ 23,426	23,517

The County had depreciation expense of $1,255,904 in fiscal year 2017 and total accumulated depreciation of $10,644,125 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, Decatur County had approximately $3,316,000 of outstanding debt, which included approximately $77,000 of bank loan debt, $240,000 of general obligation note debt, $2,800,000 of revenue bond debt and $199,000 of capital lease debt compared to total outstanding debt of approximately $3,572,000 at June 30, 2016.

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

	June 30,	
	2017	2016
Bank loan	$ 77	81
General obligation note	240	300
Revenue bonds	2,800	2,960
Capital lease purchase agreement	199	231
Total	$ 3,316	3,572

Additional information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.8% versus 3.7% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.3%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Budgeted expenditures for fiscal year 2018 are $8,334,737, a decrease of $828,778 from the fiscal year 2017 amended budget.

If these estimates are realized, Decatur County's operating fund balances are expected to increase from $1,839,259 to $2,037,499 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 Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N Main Street, Leon, Iowa 50144.

Decatur County

Basic Financial Statements

Decatur County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	$ 2,453,750
Receivables:	
Property tax:	
Delinquent	91,222
Succeeding year	3,956,000
Interest and penalty on property tax	218,339
Accounts	24,254
Accrued interest	4,334
Due from other governments	1,037,375
Inventories	548,872
Capital assets, net of accumulated depreciation	23,425,904
Total assets	31,760,050
Deferred Outflows of Resources	
Pension related deferred outflows	804,257
Liabilities	
Accounts payable	147,588
Accrued interest payable	7,633
Salaries and benefits payable	150,746
Due to other governments	55,720
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	4,102
General obligation notes	60,000
Jail Authority revenue bonds	165,000
Capital lease purchase agreement	77,074
Compensated absences	169,400
Portion due or payable after one year:	
Bank loan	73,069
General obligation notes	180,000
Jail Authority revenue bonds	2,635,000
Capital lease purchase agreement	121,458
Compensated absences	72,207
Net pension liability	2,306,401
Net OPEB liability	256,400
Total liabilities	6,481,798
Deferred Inflows of Resources	
Unavailable property tax revenue	3,956,000
Pension related deferred inflows	319,060
Total deferred inflows of resources	4,275,060
Net Position	
Net investment in capital assets	20,110,201
Restricted for:	
Supplemental levy purposes	130,496
Mental health purposes	754,666
Rural services purposes	352,154
Secondary roads purposes	1,739,791
Debt service	5,154
Conservation purposes	151,260
Other purposes	79,667
Unrestricted	(1,515,940)
Total net position	$ 21,807,449

See notes to financial statements.

Decatur County

Statement of Activities

Year ended June 30, 2017

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 1,520,947	100,224	5,105	-	(1,415,618)
Physical health and social services	692,375	266,659	197,955	-	(227,761)
Mental health	394,699	18,402	3,962	-	(372,335)
County environment and education	520,552	89,713	48,884	-	(381,955)
Roads and transportation	4,726,472	60,099	3,894,378	673,087	(98,908)
Governmental services to residents	297,862	130,050	-	-	(167,812)
Administration	819,797	29,031	-	-	(790,766)
Interest on long-term debt	114,314	-	123	-	(114,191)
Total	$ 9,087,018	694,178	4,150,407	673,087	(3,569,346)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,115,311
Debt service					290,902
Penalty and interest on property tax					83,293
State tax credits					300,508
Local option sales tax					254,192
Unrestricted investment earnings					14,233
Gain on disposition of capital assets					1,882
Miscellaneous					48,624
Total general revenues					4,108,945
Change in net position					539,599
Net position beginning of year					21,267,850
Net position end of year					$ 21,807,449

See notes to financial statements.

Decatur County

Balance Sheet
Governmental Funds

June 30, 2017

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	$ 541,556	769,060	324,704
Receivables:			
Property tax:			
Delinquent	60,096	7,886	15,544
Succeeding year	2,808,000	299,000	553,000
Interest and penalty on property tax	218,339	-	-
Accounts	19,478	-	1,636
Accrued interest	4,334	-	-
Due from other governments	60,617	435	21,139
Inventories	-	-	-
Total assets	$ 3,712,420	1,076,381	916,023
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 62,153	2,131	1,132
Salaries and benefits payable	86,305	4,053	5,160
Due to other governments	54,891	87	-
Total liabilities	203,349	6,271	6,292
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,808,000	299,000	553,000
Other	278,105	7,858	15,544
Total deferred inflows of resources	3,086,105	306,858	568,544
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	128,381	-	-
Mental health purposes	-	763,252	-
Rural services purposes	-	-	341,187
Secondary roads purposes	-	-	-
Debt service	-	-	-
Conservation purposes	-	-	-
Other purposes	-	-	-
Assigned for conservation purposes	35,874	-	-
Unassigned	258,711	-	-
Total fund balances	422,966	763,252	341,187
Total liabilities, deferred inflows of resources and fund balances	$ 3,712,420	1,076,381	916,023

See notes to financial statements.

Revenue Secondary Roads	Nonmajor	Total
576,592	241,838	2,453,750
-	7,696	91,222
-	296,000	3,956,000
-	-	218,339
3,140	-	24,254
-	-	4,334
955,184	-	1,037,375
548,872	-	548,872
2,083,788	545,534	8,334,146
76,352	5,820	147,588
55,228	-	150,746
742	-	55,720
132,322	5,820	354,054
-	296,000	3,956,000
657,892	7,669	967,068
657,892	303,669	4,923,068
548,872	-	548,872
-	-	128,381
-	-	763,252
-	-	341,187
744,702	-	744,702
-	5,118	5,118
-	151,260	151,260
-	79,667	79,667
-	-	35,874
-	-	258,711
1,293,574	236,045	3,057,024
2,083,788	545,534	8,334,146

Decatur County

Decatur County

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

June 30, 2017

Total governmental fund balances (page 21)		$ 3,057,024
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 $34,070,029 and the accumulated depreciation is $10,644,125.		23,425,904
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.		967,068
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 804,257	
Deferred inflows of resources	(319,060)	485,197
Long-term liabilities, including bank loan payable, general obligation notes payable, Jail Authority revenue bonds payable, capital lease purchase agreements payable, compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(6,127,744)
Net position of governmental activities (page 18)		$ 21,807,449

See notes to financial statements.

Decatur County

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

Year ended June 30, 2017

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	$ 2,271,602	298,060	538,432
Local option sales tax	-	-	254,192
Interest and penalty on property tax	60,132	-	-
Intergovernmental	687,776	31,411	43,545
Licenses and permits	7,488	-	-
Charges for service	278,165	-	-
Use of money and property	13,566	-	-
Miscellaneous	74,532	2,935	5,297
Total revenues	3,393,261	332,406	841,466
Expenditures:			
Operating:			
Public safety and legal services	1,230,015	-	190,126
Physical health and social services	660,665	-	-
Mental health	31,210	349,465	-
County environment and education	419,195	-	98,323
Roads and transportation	-	-	-
Governmental services to residents	294,631	-	2,175
Administration	803,136	-	-
Debt service	8,109	-	-
Capital projects	-	-	-
Total expenditures	3,446,961	349,465	290,624
Excess (deficiency) of revenues over (under) expenditures	(53,700)	(17,059)	550,842
Other financing sources (uses):			
Sale of capital assets	3,600	-	-
Transfers in	9,885	-	-
Transfers out	-	-	(485,000)
Capital lease purchase agreement	-	-	-
Total other financing sources (uses)	13,485	-	(485,000)
Change in fund balances	(40,215)	(17,059)	65,842
Fund balances beginning of year	463,181	780,311	275,345
Fund balances end of year	$ 422,966	763,252	341,187

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
-	290,902	3,398,996
-	-	254,192
-	-	60,132
3,236,756	66,229	4,065,717
900	-	8,388
53	1,518	279,736
-	790	14,356
58,876	40,221	181,861
3,296,585	399,660	8,263,378
-	6,725	1,426,866
-	7,282	667,947
-	-	380,675
-	22,105	539,623
3,559,580	-	3,559,580
-	2,884	299,690
-	-	803,136
-	322,887	330,996
124,867	-	124,867
3,684,447	361,883	8,133,380
(387,862)	37,777	129,998
-	-	3,600
485,000	3,402	498,287
-	(13,287)	(498,287)
61,723	-	61,723
546,723	(9,885)	65,323
158,861	27,892	195,321
1,134,713	208,153	2,861,703
1,293,574	236,045	3,057,024

Decatur County

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

Year ended June 30, 2017

Change in fund balances - Total governmental funds (page 25)		$ 195,321
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:		
Expenditures for capital assets	$ 493,230	
Capital assets contributed by the Iowa Department of Transportation	673,087	
Depreciation expense	(1,255,904)	(89,587)
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(1,718)
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	7,217	
Other	228,868	236,085
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:		
Issued	(61,723)	
Repaid	318,873	257,150
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.		291,155
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	(23,904)	
Interest on long-term debt	(7,633)	
Other postemployment benefits	(54,400)	
Pension expense	(262,870)	(348,807)
Change in net position of governmental activities (page 19)		$ 539,599

See notes to financial statements.

Decatur County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets		
Cash and pooled investments:		
County Treasurer	$	1,705,230
Other County officials		16,614
Receivables:		
Property tax:		
Delinquent		165,468
Succeeding year		6,909,000
Accounts		7,661
Special assessments		67,184
Due from other governments		30,442
Total assets		8,901,599
Liabilities		
Accounts payable		26,124
Salaries and benefits payable		6,178
Due to other governments		8,855,197
Trusts payable		13,532
Compensated absences		568
Total liabilities		8,901,599
Net position	$	-

See notes to financial statements.

Decatur County

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Blended Component Unit – The following component unit is legally separate from the County, but is so intertwined with the County it is in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Decatur County Jail Authority was established to acquire, destruct, demolish, improve, enlarge, equip, furnish, repair, maintain and operate one or more public buildings and to acquire and prepare any necessary site, including demolition of any structures, for the joint use of the incorporating units. Although the Authority is legally separate from the County, it is controlled, managed and supervised by a jointly appointed Board approved by the County and the City of Leon. As discussed in Note 7 to the financial statements the County's lease payment to pay the Jail Authority Revenue Bonds is reported in the Debt Service Fund. Financial information of the Authority can be obtained from the Decatur County Auditor's Office.

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

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 of improvement of those assets.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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 more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

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

Asset Class	Amount
Infrastructure	$ 65,000
Intangibles	25,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension, 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. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements in certain departments exceeded the amounts appropriated both prior to the budget amendments and at year end.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

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

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Juvenile Tracking	$ 9,885
Special Revenue: Secondary Roads	Rural Services	485,000
Debt Service	Capital Projects	3,402
Total		$ 498,287

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:				
Land	$ 3,074,748	-	-	3,074,748
Intangibles, road network	519,719	-	-	519,719
Construction in progress, road network	2,479,757	817,441	2,737,478	559,720
Construction in progress	-	27,329	-	27,329
Total capital assets not being depreciated	6,074,224	844,770	2,737,478	4,181,516
Capital assets being depreciated:				
Buildings	5,113,387	-	-	5,113,387
Improvements other than buildings	486,071	-	-	486,071
Equipment and vehicles	5,670,221	321,547	44,855	5,946,913
Infrastructure, road network	15,604,664	2,737,478	-	18,342,142
Total capital assets being depreciated	26,874,343	3,059,025	44,855	29,888,513
Less accumulated depreciation for:				
Buildings	666,749	101,919	-	768,668
Improvements other than buildings	145,683	16,001	-	161,684
Equipment and vehicles	4,170,215	320,880	43,137	4,447,958
Infrastructure, road network	4,448,711	817,104	-	5,265,815
Total accumulated depreciation	9,431,358	1,255,904	43,137	10,644,125
Total capital assets being depreciated, net	17,442,985	1,803,121	1,718	19,244,388
Governmental activities capital assets, net	$ 23,517,209	2,647,891	2,739,196	23,425,904

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 104,196
Physical health and social services	11,369
Mental health	13,023
County environment and education	24,367
Roads and transportation	1,060,560
Governmental services to residents	7,920
Administration	34,469
Total depreciation expense - governmental activities	$ 1,255,904

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	$ 54,891
Special Revenue:		
Mental Health	Services	87
Secondary Roads	Services	742
		829
Total for governmental funds		$ 55,720
Agency:		
County Offices	Collections	$ 6,832
Ag. Extension Education		77,527
County Assessor		590,461
Schools		4,298,337
Community Colleges		225,185
Corporations		1,454,241
Townships		152,784
Auto License and Use Tax		164,196
CROSS Mental Health Region		372,125
All other		1,513,509
Total for agency funds		$ 8,855,197

(6) Long-Term Liabilities

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

	Bank Loan	General Obligation Notes	Jail Authority Revenue Bonds	Capital Lease Purchase Agreements	Compen-sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 81,486	300,000	2,960,000	231,367	217,703	2,037,004	202,000	6,029,560
Increases	-	-	-	61,723	179,191	269,397	54,400	564,711
Decreases	4,315	60,000	160,000	94,558	155,287	-	-	474,160
Balance end of year	$ 77,171	240,000	2,800,000	198,532	241,607	2,306,401	256,400	6,120,111
Due within one year	$ 4,102	60,000	165,000	77,074	169,400	-	-	475,576

Bank Loan

A summary of the County's June 30, 2017 bank loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	4.85%	$ 4,102	3,226	7,328
2019	4.85	4,702	3,357	8,059
2020	4.85	4,914	3,145	8,059
2021	4.85	5,154	2,906	8,060
2022	4.85	5,395	2,664	8,059
2023-2027	4.85	28,095	9,341	37,436
2028-2032	4.85	24,809	3,230	28,039
Total		$ 77,171	27,869	105,040

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

On March 11, 2016, the County borrowed $20,000 from American State Bank for roof repairs and building maintenance to the Public Health building. The loan bears an interest rate of 4.02% per annum and matures during the year ending June 30, 2026. The loan payments were combined with the previous note for a $672 per month payment. During the year ended June 30, 2017 the County paid $4,315 of principal and $3,794 of interest on these loans.

General Obligation Notes

On March 1, 2016, the County issued $300,000 of general obligation notes for the purpose of constructing improvements, acquiring furnishings and equipment for the Courthouse, Public Health Building and County Jail, in addition to the purchase of both a vehicle for the Sheriff's Department and a geographic information system for the County. The notes bear interest at 2.82% per annum and mature during the year ending June 30, 2021. During the year ended June 30, 2017, the County paid principal of $60,000 and interest of $10,575 on the notes.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	2.82%	$ 60,000	6,768	66,768
2019	2.82	60,000	5,076	65,076
2020	2.82	60,000	3,384	63,384
2021	2.82	60,000	1,692	61,692
Total		$ 240,000	16,920	256,920

Jail Authority Revenue Bonds

On November 12, 2014, the Decatur County Jail Authority issued $3,300,000 of Jail Facilities Revenue Bonds, Series 2014. The proceeds from the bonds have provided for financing the acquisition, construction, furnishing and equipping of jail facilities. The bonds are payable solely from future rental payments made by the County under a capital lease purchase agreement with the Jail Authority. The total principal and interest remaining to be paid on the bonds is $3,480,425 and are payable through 2031. The bonds bear interest at rates ranging from 3.00% to 3.20% per annum. During the year ended June 30, 2017, the Authority paid principal of $160,000 and interest of $89,628 on the bonds.

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

Details of the Jail Authority revenue bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2018	3.00%	$ 165,000	84,828	249,828
2019	3.00	170,000	79,877	249,877
2020	3.00	175,000	74,777	249,777
2021	3.00	180,000	69,528	249,528
2022	3.00	185,000	64,128	249,128
2023-2027	3.00	1,005,000	234,387	1,239,387
2028-2031	3.00-3.20	920,000	72,900	992,900
Total		$ 2,800,000	680,425	3,480,425

Capital Lease Purchase Agreements

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

During the year ended June 30, 2017, the County entered into a capital lease purchase agreement for a tractor for $61,723. The agreement bears interest at 5.85% per annum and is payable in annual installments of $13,786, with the final payment due on July 19, 2020.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2017:

Year Ending June 30,	Excavator	Tractor	Total
2017	$ 68,531	13,786	82,317
2018	68,531	13,786	82,317
2019	17,201	13,786	30,987
2020	-	13,787	13,787
Total minimum lease payments	154,263	55,145	209,408
Less amount representing interest	(3,666)	(7,210)	(10,876)
Present value of net minimum lease payments	$ 150,597	47,935	198,532

Payments under the capital lease purchase agreements totaled $99,382 for the year ended June 30, 2017.

(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 $291,155.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of $2,306,401 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 0.036648%, which was a decrease of 0.004583% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $262,870. 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	$ 19,355	44,488
Changes of assumptions	33,412	6,291
Net difference between projected and actual earnings on IPERS' investments	416,120	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	44,215	268,281
County contributions subsequent to the measurement date	291,155	-
Total	$ 804,257	319,060

$291,155 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
2018	$ (326)
2019	(326)
2020	155,289
2021	60,920
2022	(21,515)
Total	$ 194,042

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)
	100%	

<u>Discount Rate</u> – 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.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability:	$ 3,543,101	2,306,401	830,268

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

<u>Payables to IPERS</u> – 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 health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 71 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	$ 54,000
Interest on net OPEB obligation	8,100
Adjustment to annual required contribution	(7,700)
Annual OPEB cost	54,400
Contributions made	-
Increase in net OPEB obligation	54,400
Net OPEB obligation beginning of year	202,000
Net OPEB obligation end of year	$ 256,400

For the year ended June 30, 2017, the County made no contributions to the medical plan. Plan members eligible for benefits contributed $1,400 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 44,000	75.0%	$ 148,000
2016	54,000	0.0	202,000
2017	54,000	0.0	256,400

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately $263,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $263,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,927,000 and the ratio of the UAAL to covered payroll was 9.0%. As of June 30, 2017, there were no trust fund assets.

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

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

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

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

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

(9) Operating Leases

The County entered into leases for copiers and a phone system during the year ended June 30, 2016 and entered into a lease for a skid loader during the year ended June 30, 2017. The following is a schedule of future minimum lease payments required under the operating lease agreements:

Year ending June 30,		Copiers	Phone System	Skid Loader	Amount
2018	$	20,335	8,266	13,040	41,641
2019		20,335	8,266	-	28,601
2020		20,335	8,266	-	28,601
2021		1,695	2,067	-	3,762
Total	$	62,700	26,865	13,040	102,605

Lease expense for these leases for the year ended June 30, 2017 totaled $36,646.

(10) Risk Management

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

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

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2017, which covers exposures of specific losses in excess of $750,000, with a $250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of $400,000 per occurrence, up to a maximum of $5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2017, 2016 and 2015, the Pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the Pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2017, settled claims have not exceeded the Pool or reinsurance coverage since commencement of the Pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were $267,169.

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

(11) Higher Education Notes

In December 2013, the County issued $9,158,000 of refunding notes and $2,292,000 of taxable revenue notes for Graceland University under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding on the refunding and taxable revenue notes at June 30, 2017 are $9,158,000 and $550,093, respectively. The notes and related interest are payable solely from and are secured by a pledge of revenues to be received from Graceland University and the note principal and interest do not constitute liabilities of the County.

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

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective September 18, 2013, includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The financial activity of Decatur County's Special Revenue, Mental Health Fund is included in the County Rural Offices of Social Services (CROSS) Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		$ 298,060
Intergovernmental:		
State tax credits	$ 27,275	
MH-DD reimbursement from other governments	3,962	
Other	174	31,411
Miscellaneous		2,935
Total revenues		332,406
Expenditures:		
Services to persons with:		
Mental illness	197,819	
Intellectual disabilities	1,570	199,389
General administration:		
Direct administration	26,097	
Purchased administration	4,000	
Distribution to regional fiscal agent	119,979	150,076
Total expenditures		349,465
Excess of expenditures over revenues		(17,059)
Fund balance beginning of year		780,311
Fund balance end of year		$ 763,252

(13) 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.

Decatur County

Required Supplementary Information

Decatur County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 3,673,064	-	3,673,064
Interest and penalty on property tax	60,144	-	60,144
Intergovernmental	3,968,729	-	3,968,729
Licenses and permits	8,290	-	8,290
Charges for service	281,034	-	281,034
Use of money and property	10,439	29	10,410
Miscellaneous	187,291	-	187,291
Total receipts	8,188,991	29	8,188,962
Disbursements:			
Public safety and legal services	1,434,728	-	1,434,728
Physical health and social services	660,453	-	660,453
Mental health	389,141	-	389,141
County environment and education	505,945	-	505,945
Roads and transportation	3,651,176	-	3,651,176
Governmental services to residents	299,602	-	299,602
Administration	771,365	-	771,365
Debt service	578,600	251,877	326,723
Capital projects	124,867	-	124,867
Total disbursements	8,415,877	251,877	8,164,000
Excess (deficiency) of receipts over (under) disbursements	(226,886)	(251,848)	24,962
Other financing sources, net	251,703	251,005	698
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	24,817	(843)	25,660
Balance beginning of year	2,428,933	867	2,428,066
Balance end of year	$ 2,453,750	24	2,453,726

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
3,864,974	3,865,309	(192,245)
32,400	35,464	24,680
3,730,816	3,739,493	229,236
9,088	9,189	(899)
277,370	305,103	(24,069)
15,000	5,000	5,410
179,730	273,260	(85,969)
8,109,378	8,232,818	(43,856)
1,171,733	1,514,730	80,002
719,734	741,142	80,689
830,585	872,420	483,279
478,735	547,253	41,308
3,343,224	3,801,466	150,290
316,574	318,282	18,680
845,563	844,034	72,669
319,928	330,400	3,677
210,000	193,788	68,921
8,236,076	9,163,515	999,515
(126,698)	(930,697)	955,659
-	500	198
(126,698)	(930,197)	955,857
1,744,480	2,295,270	132,796
1,617,782	1,365,073	1,088,653

Decatur County

Decatur County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 8,188,991	74,387	8,263,378
Expenditures	8,415,877	(282,497)	8,133,380
Net	(226,886)	356,884	129,998
Other financing sources, net	251,703	(186,380)	65,323
Beginning fund balances	2,428,933	432,770	2,861,703
Ending fund balances	$ 2,453,750	603,274	3,057,024

See accompanying independent auditor's report.

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $927,439. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2017, disbursements did not exceed the amount budgeted by function. However, disbursements in certain departments exceeded the amount appropriated both prior to the budget amendment and at year end.

Decatur 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		0.036648%	0.041231%	0.040327%
County's proportionate share of the net pension liability	$	2,306	2,037	1,599
County's covered-employee payroll	$	3,133	3,385	3,291
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		73.60%	60.18%	48.59%
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.

Decatur County

Schedule of County Contributions

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

Required Supplementary Information

		2017	2016	2015	2014
Statutorily required contribution	$	291	285	308	300
Contributions in relation to the statutorily required contribution		(291)	(285)	(308)	(300)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	3,193	3,133	3,385	3,291
Contributions as a percentage of covered-employee payroll		9.11%	9.10%	9.10%	9.12%

See accompanying independent auditor's report.

	2013	2012	2011	2010	2009	2008
	274	252	217	206	201	181
	(274)	(252)	(217)	(206)	(201)	(181)
	-	-	-	-	-	-
	3,078	3,006	2,951	2,962	3,038	2,862
	8.90%	8.38%	7.35%	6.95%	6.62%	6.32%

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.

Decatur County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	$ 282	282	0.0%	$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.0	2,685	10.5
2012	July 1, 2009	-	282	282	0.0	2,702	10.4
2013	July 1, 2012	-	347	347	0.0	2,908	11.9
2014	July 1, 2012	-	347	347	0.0	3,185	11.0
2015	July 1, 2012	-	347	347	0.0	3,230	10.7
2016	July 1, 2015	-	263	263	0.0	2,768	9.5
2017	July 1, 2015	-	263	263	0.0	2,927	9.0

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

See accompanying independent auditor's report.

Decatur County

Supplementary Information

Decatur 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	$	6,283	45,933
Receivables:			
Delinquent property tax		-	-
Succeeding year property tax		-	-
Total assets	$	6,283	45,933
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$	-	5,350
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		-	-
Other		-	-
Total deferred inflows of resources		-	-
Fund balances:			
Restricted for:			
Debt service		-	-
Conservation purposes		-	-
Other purposes		6,283	40,583
Total fund balances		6,283	40,583
Total liabilities, deferred inflows of resources and fund balances	$	6,283	45,933

See accompanying independent auditor’s report.

Revenue					
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Friends of Conservation	Debt Service	Total
1,078	21,979	9,779	151,260	5,526	241,838
-	-	-	-	7,696	7,696
-	-	-	-	296,000	296,000
1,078	21,979	9,779	151,260	309,222	545,534
-	35	-	-	435	5,820
-	-	-	-	296,000	296,000
-	-	-	-	7,669	7,669
-	-	-	-	303,669	303,669
-	-	-	-	5,118	5,118
-	-	-	151,260	-	151,260
1,078	21,944	9,779	-	-	79,667
1,078	21,944	9,779	151,260	5,118	236,045
1,078	21,979	9,779	151,260	309,222	545,534

Decatur County

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

Year ended June 30, 2017

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Juvenile Tracking
Revenues:			
Property and other county tax	$ -	-	-
Intergovernmental	-	30,432	-
Charges for service	1,518	-	-
Use of money and property	95	567	-
Miscellaneous	-	-	-
Total revenues	1,613	30,999	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education	-	17,522	-
Government services to residents	2,884	-	-
Debt service	-	-	-
Total expenditures	2,884	17,522	-
Excess (deficiency) of revenues over (under) expenditures	(1,271)	13,477	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(9,885)
Total other financing sources (uses)	-	-	(9,885)
Change in fund balances	(1,271)	13,477	(9,885)
Fund balances beginning of year	7,554	27,106	9,885
Fund balances end of year	$ 6,283	40,583	-

See accompanying independent auditor's report.

Revenue						
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Friends of Conservation	Debt Service	Capital Projects	Total
-	-	-	-	290,902	-	290,902
7,282	1,720	-	-	26,795	-	66,229
-	-	-	-	-	-	1,518
-	-	-	-	123	5	790
-	100	116	40,005	-	-	40,221
7,282	1,820	116	40,005	317,820	5	399,660
-	6,725	-	-	-	-	6,725
7,282	-	-	-	-	-	7,282
-	-	-	4,583	-	-	22,105
-	-	-	-	-	-	2,884
-	-	-	-	322,887	-	322,887
7,282	6,725	-	4,583	322,887	-	361,883
-	(4,905)	116	35,422	(5,067)	5	37,777
-	-	-		3,402	-	3,402
-	-	-	-	-	(3,402)	(13,287)
-	-	-	-	3,402	(3,402)	(9,885)
-	(4,905)	116	35,422	(1,665)	(3,397)	27,892
1,078	26,849	9,663	115,838	6,783	3,397	208,153
1,078	21,944	9,779	151,260	5,118	-	236,045

Decatur 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	$ -	1,631	407,408	90,718
Other County officials	16,614	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,896	4,686	106,619
Succeeding year	-	74,000	183,000	4,101,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 16,614	77,527	595,094	4,298,337
Liabilities				
Accounts payable	$ -	-	56	-
Salaries and benefits payable	-	-	4,009	-
Due to other governments	6,832	77,527	590,461	4,298,337
Trusts payable	9,782	-	-	-
Compensated absences	-	-	568	-
Total liabilities	$ 16,614	77,527	595,094	4,298,337

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
4,714	36,750	2,831	164,196	392,165	604,817	1,705,230
-	-	-	-	-	-	16,614
5,471	22,491	3,953	-	-	20,352	165,468
215,000	1,395,000	146,000	-	-	795,000	6,909,000
-	-	-	-	-	7,661	7,661
-	-	-	-	-	67,184	67,184
-	-	-	-	-	30,442	30,442
225,185	1,454,241	152,784	164,196	392,165	1,525,456	8,901,599
-	-	-	-	18,854	7,214	26,124
-	-	-	-	1,186	983	6,178
225,185	1,454,241	152,784	164,196	372,125	1,513,509	8,855,197
-	-	-	-	-	3,750	13,532
-	-	-	-	-	-	568
225,185	1,454,241	152,784	164,196	392,165	1,525,456	8,901,599

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 9,524	75,899	540,023	4,187,035
Additions:				
Property and other county tax	-	73,489	183,207	4,104,436
E-911 surcharge	-	-	-	-
State tax credits	-	6,601	41,163	371,094
Office fees and collections	199,148	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	75,330	-	-	-
Miscellaneous	-	-	312	-
Total additions	274,478	80,090	224,682	4,475,530
Deductions:				
Agency remittances:				
To other funds	98,632	-	-	-
To other governments	100,843	78,462	169,611	4,364,228
Trusts paid out	67,913	-	-	-
Total deductions	267,388	78,462	169,611	4,364,228
Balances end of year	$ 16,614	77,527	595,094	4,298,337

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
216,110	1,424,589	148,959	156,941	201,518	1,368,415	8,329,013
215,835	1,361,624	148,155	-	-	798,345	6,885,091
-	-	-	-	-	62,887	62,887
19,067	177,125	10,313	-	-	70,872	696,235
-	-	-	-	-	-	199,148
-	-	-	2,166,109	-	-	2,166,109
-	-	-	-	-	26,627	26,627
-	-	-	-	-	138,090	213,420
-	-	-	-	1,035,802	214,854	1,250,968
234,902	1,538,749	158,468	2,166,109	1,035,802	1,311,675	11,500,485
-	-	-	77,518	-	-	176,150
225,827	1,509,097	154,643	2,081,336	845,155	1,009,195	10,538,397
-	-	-	-	-	145,439	213,352
225,827	1,509,097	154,643	2,158,854	845,155	1,154,634	10,927,899
225,185	1,454,241	152,784	164,196	392,165	1,525,456	8,901,599

Decatur 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	$ 3,398,996	3,146,074	2,615,642	2,326,729
Local option sales tax	254,192	259,671	239,178	207,420
Interest and penalty on property tax	60,132	43,451	40,081	34,206
Intergovernmental	4,065,717	4,033,984	4,866,093	4,356,943
Licenses and permits	8,388	10,940	9,608	9,185
Charges for service	279,736	317,605	273,043	274,291
Use of money and property	14,356	12,741	6,391	5,297
Miscellaneous	181,861	456,922	460,347	184,144
Total	$ 8,263,378	8,281,388	8,510,383	7,398,215
Expenditures:				
Operating:				
Public safety and legal services	$ 1,426,866	1,497,151	1,182,362	1,119,870
Physical health and social services	667,947	787,947	1,119,244	1,218,807
Mental health	380,675	375,032	594,443	578,325
County environment and education	539,623	427,227	472,359	411,689
Roads and transportation	3,559,580	3,859,734	3,244,012	3,488,258
Governmental services to residents	299,690	286,920	278,788	281,652
Administration	803,136	910,829	719,107	928,488
Non-program	-	-	-	-
Debt service	330,996	318,734	853,071	6,125
Capital projects	124,867	1,222,469	2,445,525	640,321
Total	$ 8,133,380	9,686,043	10,908,911	8,673,535

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
2,341,345	2,641,230	2,385,586	2,330,691	2,147,097	1,917,384
223,325	233,863	196,528	207,294	194,886	210,406
33,658	38,698	35,276	35,905	35,961	34,997
4,097,394	4,734,628	4,663,097	4,526,232	4,524,871	4,575,473
8,287	7,041	7,462	6,997	4,552	3,489
275,618	276,759	298,864	261,623	260,759	297,940
15,265	16,315	19,206	27,248	32,866	97,023
133,253	260,834	237,043	276,605	196,132	179,808
7,128,145	8,209,368	7,843,062	7,672,595	7,397,124	7,316,520
999,256	994,986	928,288	911,014	889,564	896,793
1,209,667	1,296,932	1,243,715	1,175,459	1,219,969	1,241,444
491,385	1,335,574	1,132,926	993,984	1,096,615	1,176,131
364,291	385,260	348,532	364,380		301,919
3,062,269	2,714,101	2,990,872	2,988,154	2,934,283	2,726,522
263,161	251,194	271,421	256,647	255,150	240,104
624,649	520,688	591,093	628,799	594,887	578,576
-	-	-	-	7,542	-
506,455	250	-	-	-	80,736
128,084	223,949	129,701	219,324	27,697	64,936
7,649,217	7,722,934	7,636,548	7,537,761	7,025,707	7,307,161

Decatur County

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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Decatur County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 significant deficiencies.

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

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

Compliance and Other Matters

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

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

Decatur County's Responses to the Findings

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

Purpose of this Report

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

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

March 14, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review their operating procedures of their office to obtain the maximum internal control possible under the circumstances. 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 evidenced by initials or signatures of the reviewer and the date of the review.

Responses –

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

Recorder – We try to segregate to the best of our ability in the office. There are only two people that work in this office.

Sheriff – Deputies will review mail lists and deposit lists in TAC10 and compare to deposit slips.

Secondary Roads – Decatur County Secondary Roads funds received are receipted in and deposited with the County Treasurer's Office the same day as received if possible or the next day if not. A cash book is kept and balanced monthly with the trial balance report taken from the County financial system. Bills and invoices received in the mail are date stamped, reviewed and initialed by the Assistant County Engineer.

Conservation – We will try to do a better job of establishing controls.

Public Health – We are a small agency. I have the Administrator look over our records and she signs off.

Recorder, Sheriff, Secondary Roads, Conservation and Public Health – Responses acknowledged. The Departments should continue to review operating controls to obtain the maximum internal control and consider using current personnel or personnel from other offices to provide additional control.

Treasurer – 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 – Material amounts of receivables and payables were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

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

Response – The County will work to establish procedures to ensure all receivables and payables are identified and property reported.

Conclusion – Response accepted.

(C) Maintenance of Financial Records

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

Condition – During the year ended June 30, 2017, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2017, the book balance exceeded the bank balance by $16,027.

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

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

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

Responses –

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

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

Conclusions – Responses accepted.

(D) Delinquent Property Tax Reconciliations

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

Condition – While current and delinquent tax reconciliations were prepared, the County did not have procedures in place to review and resolve differences identified.

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

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

Recommendation – Current and delinquent property tax reconciliations should be reviewed and differences investigated and resolved in a timely manner.

Response – We will work with our software vendor to resolve these differences.

Conclusion – Response accepted.

(E) Rewards Program

Criteria – An effective internal control system provides for policies addressing personal benefit from conducting County business.

Condition – The Hy-Vee Food Stores rewards program offers reduced fuel prices based on purchases of selected items. Purchases were made for jail supplies utilizing an employee's personal Hy-Vee Rewards Card to gain rewards points. Sheriff vehicles do not refuel at the selected fuel stations offering reduced prices.

Cause – Policies and procedures have not been established to prevent personal benefit from County purchases.

Effect – The lack of policies and procedures to prevent the personal benefit from County purchases could result in excessive purchases, high priced and/or unnecessary items purchased and misuse of County resources.

Recommendation – The County should develop a written policy addressing rewards programs in order to establish appropriate guidelines.

Response – Once brought to attention, made a memo about this being not allowable.

Conclusion – Response accepted.

(F) Receipt Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Receipts are not always deposited timely. One Emergency Management receipt tested was deposited 49 days after receipt.

Cause – Policies and procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – Procedures should be established to ensure all receipts are deposited timely.

Response – Policies and procedures will be reviewed and where necessary implement procedures to ensure timely deposits of all receipts.

Conclusion – Response accepted.

(G) Accounting Procedures Manuals

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

(1) Aid in training additional or replacement staff.

(2) Help achieve uniformity in accounting and in the application of policies and procedures.

(3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The Treasurer's Office has not developed accounting policies and procedures manuals.

Cause – The development of accounting policies and procedures manuals has not been prioritized by the County Treasurer's Office.

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

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

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

Conclusion – Response accepted.

(H) Computer Systems

Criteria – Properly designed policies and procedures pertaining to control activities over the County's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and helps ensure compliance with applicable laws and regulations.

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

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

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

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

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

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

Conclusion – Response accepted.

(I) Employee Evaluations

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

Condition – Annual employee performance evaluations are not performed.

Cause – Procedures have not been implemented to ensure timely employee performance evaluations.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated both prior to the budget amendments and at year end.

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

Response – Two departments exceeded the appropriated amounts – Libraries and Case Management. The Libraries budget was exceeded when a County-issued stale-dated, uncashed Lamoni Library contribution check in the amount of $1,071 was found by Library staff. The County voided that check and reissued the payment. Because it was representative of a contribution from a previous fiscal year, it caused the fiscal year 2017 library budget to be exceeded by that amount. The Case Management budget was exceeded by $15,467, which consisted of the transfers from the fund (which was zeroed out due to the department closing) to the General Basic Fund. We will monitor the budget more closely moving forward.

Conclusion – Response accepted.

(2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

(4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rich Erke, Conservation Director, Son owns Midwest Land Restoration	Firebreak construction/ spraying	$ 1,500
J.R. Cornett, Board of Supervisor, Son owns Carquest of Lamoni	Auto repair and supplies	1,038
Kevin Buckingham, Uncle to Deputy Treasurer, Janet Pierson	Well closing	1,008
Sandy Higdon, Deputy Auditor, Husband owns Dave's Auto Body	Truck repairs for Conservation Director	801
Jared Jackson, Secondary Roads Employee, Father owns Bob Jackson Trucking	Rock Hauling for Conservation Director	607
J.R. Cornett, Board of Supervisor, Owns I-35 Auto & Truck	Vehicle repairs/ maintenance	351
Jim Fulton, Board of Supervisors, Sole proprietor of Fulton Electric	Electrical repair	312
Erin Burton, Daughter to County Treasurer, Kathy Martin	Assistance with Veteran Outreach Program	100
Brent Marvin, Reserve Deputy, Owns Brent Marvin Masonry Construction	Fire extinguisher mount	30

The above transactions do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each individual did not exceed $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 – No transactions were found that we believe should have been approved in the Board minutes but were not.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

(9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

(10) Lease Purchase Agreement – During the year ended June 30, 2017, the County entered into a lease purchase agreement for the purchase of a tractor for the Secondary Roads Department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

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

Recommendation – The County should hold a public hearing prior to the authorization of lease purchase agreements in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – We understand that a mistake had been made. The most recent lease agreement we entered into was done with required publications. We will visit with the County Attorney regarding this issue.

Conclusion – Response accepted.

Staff

This audit was performed by:

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