



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 29, 2018

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$20,345,637 for the year ended June 30, 2017, which included \$1,884,690 in tax credits from the state. The County forwarded \$14,765,937 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,579,700 of the local tax revenue to finance County operations, a 1.4% increase over the prior year. Other revenues included charges for service of \$818,057, operating grants, contributions and restricted interest of \$4,599,084, capital grants, contributions and restricted interest of \$342,332, tax increment financing of \$140,680, local option sales tax of \$553,749, unrestricted investment earnings of \$26,912 and other general revenues of \$231,740.

Expenses for County operations for the year ended June 30, 2017 totaled \$11,175,114, a 14.1% decrease from the prior year. Expenses included \$2,213,261 for county environment and education, \$4,337,951 for roads and transportation and \$1,692,487 for public safety and legal services.

The decrease in expenses is due primarily to the decrease in the disbursement of Community Development Block grant proceeds to various cities.

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 Office of Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0088-B00F>.

###

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

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		54
Schedule of the County’s Proportionate Share of the Net Pension Liability		55
Schedule of County Contributions		56-57
Notes to Required Supplementary Information – Pension Liability		58
Schedule of Funding Progress for the Retiree Health Plan		59
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	64-65
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	66-67
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	68-69
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	70-71
Schedule of Expenditures of Federal Awards	6	73
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		75-76
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		77-78
Schedule of Findings and Questioned Costs		79-85
Staff		86

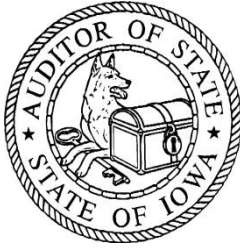
Union County
Officials
(Before January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Brown	Board of Supervisors	Jan 2017
Lois Monday	Board of Supervisors	Jan 2017
Ron Riley	Board of Supervisors	Jan 2019
Sandy Hysell	County Auditor	Jan 2017
Kelly Busch	County Treasurer	Jan 2019
Paula White	County Recorder	Jan 2019
Rick L. Piel	County Sheriff	Jan 2017
Timothy R. Kenyon	County Attorney	Jan 2019
Theresa Pudenz	County Assessor	Jan 2022

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lois Monday	Board of Supervisors	(Deceased Apr 2017)
Dale Cline (Appointed May 2017)	Board of Supervisors	Nov 2018
Ron Riley	Board of Supervisors	Jan 2019
Dennis Brown	Board of Supervisors	Jan 2021
Sandy Hysell	County Auditor	Jan 2021
Kelly Busch	County Treasurer	Jan 2019
Paula White	County Recorder	(Retired Jun 2017)
Katie Carlton (Appointed Jun 2017)	County Recorder	Nov 2018
Rick L. Piel	County Sheriff	Jan 2021
Timothy R. Kenyon	County Attorney	Jan 2019
Theresa Pudenz	County Assessor	Jan 2022

Union County



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Union 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 Union 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 Union County as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union 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 seven years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the two years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2018 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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 Union County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 23, 2018

Union County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union 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 along with comparative data for the year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 13%, or approximately \$1,813,000, from fiscal year 2016 to fiscal year 2017. Property and other county tax increased approximately \$38,000 from fiscal year 2016. Operating grants, contributions and restricted interest decreased approximately \$1,603,000, charges for service decreased approximately \$51,000 and capital grants, contributions and restricted interest decreased approximately \$135,000. There was a significant decrease in Community Development Block Grant funds received as well as a decrease in the amount of capital assets contributed by the Iowa Department of Transportation.
- Program expenses of the County's governmental activities decreased 14%, or approximately \$1,821,000. The largest decrease was in the county environment and education function, which decreased approximately \$1,551,000 in fiscal year 2017 from fiscal year 2016 due to a significant decline in Community Development Block Grant funds received and passed through to various cities.
- The County's net position at June 30, 2017 increased approximately \$1,117,000 or 9.5%, from the June 30, 2016 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Union 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 Union 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 Union 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 funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) The proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. The fiduciary funds include Agency Funds that account for Prairie Solid Waste Agency 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. Union County's combined net position increased from approximately \$11.8 million to approximately \$12.9 million. The analysis that follows focuses on the changes in the net position of governmental activities.

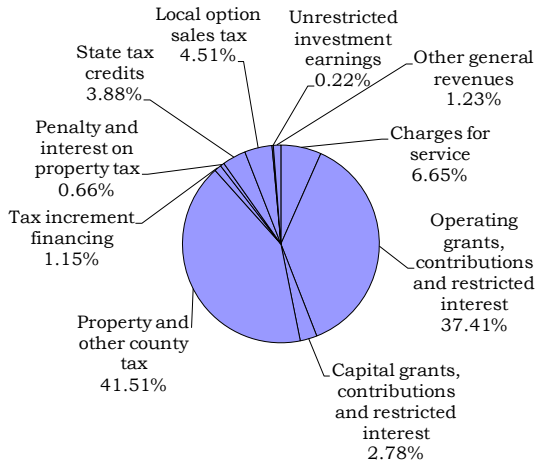
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 10,469	10,739
Capital assets	15,699	16,065
Total assets	26,168	26,804
Deferred outflows of resources	793	438
Long-term liabilities	8,628	9,420
Other liabilities	229	643
Total liabilities	8,857	10,063
Deferred inflows of resources	5,222	5,414
Net position:		
Net investment in capital assets	11,076	10,205
Restricted	2,434	2,661
Unrestricted	(628)	(1,101)
Total net position	\$ 12,882	11,765

Net position of Union County's governmental activities increased 9.5%, or approximately \$1,117,000, during the year. The largest portion of the County's net position is invested in capital assets (e.g. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit of approximately \$1,101,000 at June 30, 2016 to a deficit of approximately \$628,000 at the end of this year, an increase of 43%.

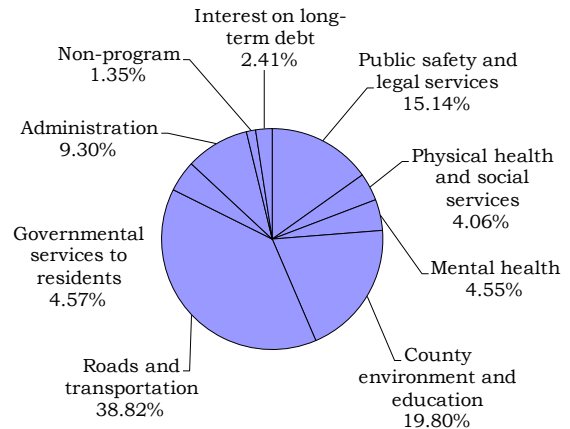
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 818	869
Operating grants, contributions and restricted interest	4,599	6,202
Capital grants, contributions and restricted interest	342	477
General revenues:		
Property and other county tax	5,102	5,064
Tax increment financing	141	309
Penalty and interest on property tax	81	54
State tax credits	477	438
Local option sales tax	554	452
Unrestricted investment earnings	27	20
Other general revenues	151	220
Total revenues	12,292	14,105
Program expenses:		
Public safety and legal services	1,692	1,636
Physical health and social services	454	425
Mental health	508	990
County environment and education	2,213	3,764
Roads and transportation	4,338	4,341
Governmental services to residents	511	447
Administration	1,039	941
Non-program	151	153
Interest on long-term debt	269	299
Total expenses	11,175	12,996
Change in net position	1,117	1,109
Net position beginning of year	11,765	10,656
Net position end of year	\$ 12,882	11,765

Revenues by Source



Expenses by Program



Overall, revenues decreased approximately \$1,813,000, or 13%, during the year. The decrease is primarily due to a decrease in operating grants, contributions and restricted interest related to the Community Development Block Grant (CDBG) funds as well as a reduction in the amount of capital assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$11.2 million compared to approximately \$13 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$818,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,941,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2016 from approximately \$7,548,000 to approximately \$5,759,000, principally due to receiving less CDBG funds passed through the County from the Iowa Economic Development Authority to various cities for CDBG projects. 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 revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of approximately \$4.6 million compared to approximately \$4.5 million at June 30, 2015, an increase of approximately \$65,000.

- The General Fund, the operating fund for Union County, ended fiscal year 2017 with a balance of \$1,323,413, an increase of \$54,360 over the fiscal year 2016 ending balance of \$1,269,053. The increase was primarily due to a decline in transfers out being made to the Secondary Roads Fund, between fiscal year 2016 and 2017.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end decreased \$4,586, from a fund balance of \$41,715 to \$37,129. The decrease in fund balance is the result of the County moving the financial activity of the Southern Hills Regional Mental Health which was previously accounted for in the Special Revenue, Mental Health Fund into an Agency Fund. During fiscal year 2017, the County utilized the Special Revenue, Mental Health Fund for the collecting and distributing property tax to the Southern Hills Regional Mental Health Agency Fund.
- The Special Revenue, Rural Services Fund ending fund balance decreased \$41,244, or 22.7%, from the prior year to \$140,281.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a \$1,115,115 fund balance, an increase of \$359,820 compared to the prior year ending fund balance of \$755,295. The fund balance increase was due, in part, to an increase in intergovernmental revenues of \$100,480 and a decrease in capital project expenditures of \$208,112.
- The Debt Service Fund balance decreased from \$1,789,099 at the end of fiscal year 2016 to \$1,685,538 at the end of fiscal year 2017. The fund balance decreased as a result of an increase in debt service payments of approximately \$53,000 coupled with a decrease in Debt Service Fund revenues of approximately \$79,000. The end of year fund balance includes \$900,000 due from Prairie Solid Waste Agency to repay the County for general obligation solid waste disposal notes issued for the Agency.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget once. The amendment was made in May 2017 and primarily resulted in an increase in budgeted disbursements related to the mental health function.

The County's receipts were \$1,527,099 less than budgeted, a variance of 11.2%. The most significant variance resulted from the Community Development Block Grant activity being less than expected.

Total disbursements were \$3,339,153 less than the amended budget. The most significant variances resulted from mental health as well as county environment and education disbursements being less than expected. The mental health function was budgeted more in line with activity levels prior to the mental health region's creation. The mental health region helped to keep the cost to the County lower than it had been in the past. The County environment and education function came in lower due to less than expected activity related to the Community Development Block Grant. The County did not exceed the amended amounts in any of the functions for the year ended June 30, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Union County had approximately \$15.7 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$366,000, a 2.3% decrease from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 254	254
Construction in progress, road network	17	-
Buildings	670	707
Improvements other than buildings	15	18
Equipment and vehicles	1,500	1,402
Infrastructure	13,243	13,685
Total	\$ 15,699	16,066

This year's major addition was infrastructure costing approximately \$359,000.

Union County had depreciation expense of \$1,113,031 for fiscal year 2017 and total accumulated depreciation of \$10,554,892 at June 30, 2017. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Union County had approximately \$5,523,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$6,831,000 at June 30, 2016, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
Capital lease purchase agreements	\$ 177	270
General obligation bonds	4,405	5,510
General obligation solid waste disposal notes	900	970
Bank loan	41	81
Total	\$ 5,523	6,831

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$45 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.3% versus 3.5% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.3%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$15.6 million, a decrease of 6.6% over the final fiscal year 2017 budget. The property tax rate for urban areas inclined slightly from \$8.7583 per \$1,000 of taxable valuation to \$8.7797 per \$1,000 of taxable valuation for fiscal year 2018. The property tax rate in rural areas declined from \$12.60832 per \$1,000 of taxable valuation to \$12.50133 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union 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 Union County Auditor's Office, 300 N. Pine Street, Suite 2, Creston, Iowa 50801.

Union County

Basic Financial Statements

Union County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 3,618,757
Cash held by health plan trustee	101,240
Receivables:	
Property tax:	
Delinquent	53,555
Succeeding year	5,095,000
Interest and penalty on property tax	92,527
Loan	786,235
Accounts	11,755
Accrued interest	15,296
Due from other governments	357,325
Prepaid expense	108,764
Inventories	228,976
Capital assets, net of accumulated depreciation	15,698,652
Total assets	26,168,082
Deferred Outflows of Resources	
Pension related deferred outflows	793,131
Liabilities	
Accounts payable	106,336
Accrued interest payable	21,124
Salaries and benefits payable	76,105
Due to other governments	25,329
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	98,519
General obligation bonds	640,000
General obligation solid waste disposal notes	75,000
Bank loan	40,704
Compensated absences	96,682
Portion due or payable after one year:	
Capital lease purchase agreements	78,352
General obligation bonds	3,765,000
General obligation solid waste disposal notes	825,000
Compensated absences	121,825
Net pension liability	2,243,035
Net OPEB liability	644,000
Total liabilities	8,857,011
Deferred Inflows of Resources	
Unavailable property tax revenue	5,095,000
Pension related deferred inflows	127,145
Total deferred inflows of resources	5,222,145
Net Position	
Net investment in capital assets	11,076,077
Restricted for:	
Supplemental levy purposes	394,266
Mental health	28,162
Rural services purposes	131,600
Secondary roads purposes	757,138
Debt service	771,971
Capital projects	177,460
Other purposes	173,542
Unrestricted	(628,159)
Total net position	\$ 12,882,057

See notes to financial statements.

Union County

Statement of Activities

Year ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,692,487	85,913	17,933	-	(1,588,641)
Physical health and social services	453,730	32,346	131,098	-	(290,286)
Mental health	507,616	-	-	-	(507,616)
County environment and education	2,213,261	166,297	1,753,783	-	(293,181)
Roads and transportation	4,337,951	96,338	2,693,770	342,332	(1,205,511)
Governmental services to residents	510,390	223,892	-	-	(286,498)
Administration	1,039,514	49,666	2,500	-	(987,348)
Non-program	151,345	163,605	-	-	12,260
Interest on long-term debt	268,820	-	-	-	(268,820)
Total	\$ 11,175,114	818,057	4,599,084	342,332	(5,415,641)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,216,750
Debt service					885,723
Tax increment financing					140,680
Penalty and interest on property tax					81,427
State tax credits					477,227
Local option sales tax					553,749
Unrestricted investment earnings					26,912
Rents					45,403
Gain on disposal of capital assets					22,098
Miscellaneous					82,812
Total general revenues					6,532,781
Change in net position					1,117,140
Net position beginning of year					11,764,917
Net position end of year					\$ 12,882,057
See notes to financial statements.					

Union County
Balance Sheet
Governmental Funds

June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 1,317,386	37,129	139,222	699,024
Receivables:				
Property tax:				
Delinquent	29,426	4,811	11,761	-
Succeeding year	2,932,000	480,000	932,000	-
Interest and penalty on property tax	92,527	-	-	-
Loan	-	-	-	-
Accounts	11,540	-	-	-
Interest	15,241	-	-	-
Due from other governments	38,863	-	25,994	292,468
Prepaid expenditures	17,865	-	-	-
Inventories	-	-	-	228,976
Total assets	\$ 4,454,848	521,940	1,108,977	1,220,468
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,680	-	12,682	56,974
Salaries and benefits payable	24,286	-	9,512	42,307
Due to other governments	16,516	-	2,741	6,072
Total liabilities	77,482	-	24,935	105,353
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,932,000	480,000	932,000	-
Other	121,953	4,811	11,761	-
Total deferred inflows of resources	3,053,953	484,811	943,761	-
Fund balances:				
Nonspendable:				
Prepaid expenditures	17,865	-	-	-
Inventories	-	-	-	228,976
Restricted for:				
Supplemental levy purposes	389,546	-	-	-
Mental health	-	37,129	-	-
Rural services purposes	-	-	140,281	-
Secondary roads purposes	-	-	-	886,139
Debt service	-	-	-	-
Conservation land acquisition/ capital improvements	37,766	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	34,906	-	-	-
Commissary	4,924	-	-	-
Inmate medical	91,682	-	-	-
Unassigned	746,724	-	-	-
Total fund balances	1,323,413	37,129	140,281	1,115,115
Total liabilities, deferred inflows of resources and fund balances	\$ 4,454,848	521,940	1,108,977	1,220,468

See notes to financial statements.

Debt Service	Nonmajor	Total
899,154	313,170	3,405,085
7,557	-	53,555
751,000	-	5,095,000
-	-	92,527
786,235	-	786,235
149	66	11,755
-	-	15,241
-	-	357,325
-	-	17,865
-	-	228,976
<u>2,444,095</u>	<u>313,236</u>	<u>10,063,564</u>
-	-	106,336
-	-	76,105
-	-	25,329
-	-	207,770
751,000	-	5,095,000
7,557	-	146,082
<u>758,557</u>	<u>-</u>	<u>5,241,082</u>
-	-	17,865
-	-	228,976
-	-	389,546
-	-	37,129
-	-	140,281
-	-	886,139
1,685,538	-	1,685,538
-	-	37,766
-	313,236	313,236
-	-	34,906
-	-	4,924
-	-	91,682
-	-	746,724
<u>1,685,538</u>	<u>313,236</u>	<u>4,614,712</u>
<u>2,444,095</u>	<u>313,236</u>	<u>10,063,564</u>

Union County

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

June 30, 2017

Total governmental fund balances (page 21) \$ 4,614,712

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 capital assets is \$26,253,544 and the accumulated depreciation is 10,554,892. 15,698,652

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. 146,082

The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 405,866

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	\$ 793,131	
Deferred inflows of resources	<u>(127,145)</u>	665,986

Long-term liabilities, including capital lease purchase agreements payable, bonds and notes payable, loan payable, compensated absences payable, net pension liability, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (8,649,241)

Net position of governmental activities (page 18) \$ 12,882,057

See notes to financial statements.

Union County

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

Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,803,519	458,401	931,355	-
Local option sales tax	110,749	-	166,125	276,875
Tax increment financing	-	-	-	-
Interest and penalty on property tax	57,886	-	-	-
Intergovernmental	2,065,711	46,491	131,238	2,694,344
Licenses and permits	22,164	-	7,272	-
Charges for service	463,476	-	275	-
Use of money and property	70,240	-	-	-
Miscellaneous	41,971	-	377	95,764
Total revenues	5,635,716	504,892	1,236,642	3,066,983
Expenditures:				
Operating:				
Public safety and legal services	1,575,732	-	83,236	-
Physical health and social services	314,264	-	127,347	-
Mental health	-	509,478	-	-
County environment and education	2,129,103	-	108,174	-
Roads and transportation	-	-	171,593	3,430,554
Governmental services to residents	503,061	-	2,500	-
Administration	946,068	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	153,694
Total expenditures	5,468,228	509,478	492,850	3,584,248
Excess (deficiency) of revenues over (under) expenditures	167,488	(4,586)	743,792	(517,265)
Other financing sources (uses):				
Transfers in	-	-	-	859,427
Transfers out	(113,128)	-	(785,016)	-
Sale of capital assets	-	-	-	17,658
Total other financing sources (uses)	(113,128)	-	(785,016)	877,085
Change in fund balances	54,360	(4,586)	(41,224)	359,820
Fund balances beginning of year	1,269,053	41,715	181,505	755,295
Fund balances end of year	\$ 1,323,413	37,129	140,281	1,115,115

See notes to financial statements.

Debt Service	Nonmajor	Total
878,169	-	5,071,444
-	-	553,749
-	140,680	140,680
-	-	57,886
121,098	38,207	5,097,089
-	2,375	31,811
-	-	463,751
650	840	71,730
82,812	-	220,924
<u>1,082,729</u>	<u>182,102</u>	<u>11,709,064</u>
-	-	1,658,968
-	1,490	443,101
-	-	509,478
-	4,640	2,241,917
-	-	3,602,147
-	3,000	508,561
-	-	946,068
1,186,290	257,762	1,444,052
-	153,662	307,356
<u>1,186,290</u>	<u>420,554</u>	<u>11,661,648</u>
<u>(103,561)</u>	<u>(238,452)</u>	<u>47,416</u>
-	94,398	953,825
-	(55,681)	(953,825)
-	-	17,658
-	38,717	17,658
<u>(103,561)</u>	<u>(199,735)</u>	<u>65,074</u>
<u>1,789,099</u>	<u>512,971</u>	<u>4,549,638</u>
<u>1,685,538</u>	<u>313,236</u>	<u>4,614,712</u>

Union 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) \$ 65,074

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	\$ 399,524	
Capital assets contributed by the Iowa Department of Transportation	342,332	
Depreciation expense	<u>(1,113,031)</u>	(371,175)

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. 4,440

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	31,029	
Other	<u>23,541</u>	54,570

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. 1,307,591

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 271,677

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	(7,737)	
Other postemployment benefits	(22,000)	
Pension expense	(289,777)	
Interest on long-term debt	<u>232</u>	(319,282)

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 104,245

Change in net position of governmental activities (page 19) \$ 1,117,140

See notes to financial statements.

Union County
Statement of Net Position
Proprietary Fund

June 30, 2017

	Internal Service - Employee Group Health
Current Assets	
Cash and cash equivalents	\$ 213,672
Cash held by health plan trustee	101,240
Accrued interest receivable	55
Prepaid expense	90,899
Total current assets	405,866
Current Liabilities	
None	-
Net Position	
Unrestricted	\$ 405,866

See notes to financial statements.

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

Year ended June 30, 2017

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,108,697
Reimbursements from employees and others	<u>40,311</u>
Total operating revenues	1,149,008
Operating expenses:	
Insurance premiums	<u>1,045,349</u>
Operating gain	103,659
Non-operating revenues:	
Interest income	<u>586</u>
Net operating income	104,245
Net position beginning of year	<u>301,621</u>
Net position end of year	<u><u>\$ 405,866</u></u>
See notes to financial statements.	

Union County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,149,008
Cash paid to suppliers for services	(1,045,347)
Net cash provided by operating activities	103,661
Cash flows from investing activities:	
Interest on investments	575
Net increase in cash and cash equivalents	104,236
Cash and cash equivalents beginning of year	210,676
Cash and cash equivalents end of year	\$ 314,912
Reconciliation of operating gain to net cash provided by operating activities:	
Operating gain	\$ 103,659
Adjustment to reconcile operating gain to net cash provided by operating activities:	
Decrease in prepaid expense	2
Net cash provided by operating activities	\$ 103,661

See notes to financial statements.

Union County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,663,709
Other County officials	49,931
Receivables:	
Property tax:	
Delinquent	123,852
Succeeding year	13,385,000
Accounts	6,151
Special assessments	54,537
Due from other governments	<u>4,375</u>
Total assets	<u>16,287,555</u>

Liabilities

Accounts payable	150,665
Salaries and benefits payable	12,047
Due to other governments	16,044,166
Trusts payable	61,940
Compensated absences	<u>18,737</u>
Total liabilities	<u>16,287,555</u>

Net position	<u><u>\$ -</u></u>
---------------------	--------------------

See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

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

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E-911 Service Board and Union County Development Association.

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 three categories.

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in no more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
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	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on IPERS' 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, proprietary fund 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities or proprietary fund Statement of Net Position.

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future insurance premiums of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function prior to amendment and disbursements in certain departments exceeded the amounts appropriated prior to amendment 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
Special Revenue:		
Secondary Roads	General	\$ 82,848
	Special Revenue:	
	Rural Services	776,579
Flood and Erosion	Rural Services	8,437
Capital Projects	General	30,280
	Special Revenue:	
	Resource Enhancement and Protection	55,681
Total		<u>\$ 953,825</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Construction in progress, road network	-	359,295	342,332	16,963
Total capital assets not being depreciated	253,619	359,295	342,332	270,582
Capital assets being depreciated:				
Buildings	2,310,986	-	-	2,310,986
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	4,754,938	391,061	217,525	4,928,474
Infrastructure, road network	18,352,968	342,332	-	18,695,300
Total capital assets being depreciated	25,467,094	733,393	217,525	25,982,962
Less accumulated depreciation for:				
Buildings	1,603,584	37,258	-	1,640,842
Improvements other than buildings	30,676	2,360	-	33,036
Equipment and vehicles	3,352,804	289,488	213,465	3,428,827
Infrastructure, road network	4,668,262	783,925	-	5,452,187
Total accumulated depreciation	9,655,326	1,113,031	213,465	10,554,892
Total capital assets being depreciated, net	15,811,768	(379,638)	4,060	15,428,070
Governmental activities capital assets, net	\$ 16,065,387	(20,343)	346,392	<u>15,698,652</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 61,801
Physical health and social services	3,611
County environment and education	31,246
Roads and transportation	999,578
Administration	16,795
Total depreciation expense - governmental activities	<u>\$ 1,113,031</u>

In a prior year, the County acquired two motor graders and two tractors under capital lease purchase agreements. The cost of the equipment was \$609,547 and the accumulated depreciation at June 30, 2017 was \$177,779.

(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	\$ 16,516
Special Revenue:		
Rural services	Services	2,741
Secondary Roads		<u>6,072</u>
		<u>8,813</u>
Total for governmental funds		<u>\$ 25,329</u>
Agency:		
County Assessor	Collections	\$ 530,636
County Hospital		1,091,761
Schools		8,088,374
Community Colleges		428,370
Corporations		3,399,163
Townships		198,414
Auto License and Use Tax		371,911
Prairie Solid Waste		1,142,198
All other		<u>793,339</u>
Total for agency funds		<u>\$ 16,044,166</u>

(6) Long-Term Liabilities

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

	Capital Lease Purchase Agreements	General Obligation Bonds	General Obligation Solid Waste Disposal Notes	Bank Loan	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 269,517	5,510,000	970,000	80,649	210,770	1,757,098	622,000	9,420,034
Increases	-	-	-	-	161,945	485,937	32,000	679,882
Decreases	92,646	1,105,000	70,000	39,945	154,208	-	10,000	1,471,799
Balance end of year	<u>\$ 176,871</u>	<u>4,405,000</u>	<u>900,000</u>	<u>40,704</u>	<u>218,507</u>	<u>2,243,035</u>	<u>644,000</u>	<u>8,628,117</u>
Due within one year	\$ 98,519	640,000	75,000	40,704	96,682	-	-	950,905

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease two Caterpillar motor graders and two tractors with historical costs of \$495,301 and \$114,246, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.50% to 2.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2017:

Year ending June 30,	Motor		Total	
	Graders	Tractors		
2018	\$ 79,475	22,849	102,324	
2019	79,478	-	79,478	
Total minimum lease payments		158,953	22,849	181,802
Less amount representing interest lease payments		4,347	584	4,931
		\$ 154,606	22,265	176,871

Payments under the capital lease purchase agreements totaled \$102,324 for the year ended June 30, 2017.

General Obligation Bonds

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

Year Ending June 30,	Roads and Bridges Issued October 16, 2009			Roads, Bridges and Litigation Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2018	5.50%	\$ 315,000	121,847	2.50%	\$ 275,000	65,920
2019	5.75	320,000	104,523	2.70	285,000	59,045
2020	6.00	325,000	86,122	2.90	295,000	51,350
2021	6.15	345,000	66,623	3.10	310,000	42,795
2022	6.30	355,000	45,405	3.20	325,000	33,185
2023-2024	6.40	360,000	23,040	3.30-3.40	680,000	34,515
Total		\$ 2,020,000	447,560		\$ 2,170,000	286,810

Year Ending June 30,	Roads and Refunding Issued June 29, 2011			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2018	2.00%	\$ 50,000	5,455	640,000	193,222	833,222
2019	2.40	55,000	4,455	660,000	168,023	828,023
2020	2.70	55,000	3,135	675,000	140,607	815,607
2021	3.00	55,000	1,650	710,000	111,068	821,068
2022		-	-	680,000	78,590	758,590
2023-2024		-	-	1,040,000	57,555	1,097,555
Total		\$ 215,000	14,695	4,405,000	749,065	5,154,065

During the year ended June 30, 2017, the County retired \$1,105,000 of general obligation bonds.

General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they come due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

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

Year Ending June 30,	Series 2007B			
	Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2018	4.150%	\$ 75,000	38,584	113,584
2019	4.200	75,000	35,471	110,471
2020	4.200	80,000	32,321	112,321
2021	4.200	85,000	28,961	113,961
2022	4.300	85,000	25,391	110,391
2023-2027	4.300-4.375	500,000	67,602	567,602
Total		\$ 900,000	228,330	1,128,330

During the year ended June 30, 2017, the County retired \$70,000 of general obligation solid waste disposal notes.

Bank Loan

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

Year Ending June 30,	Park Ranger Residence			
	Issued September 4, 2014			
	Interest Rates	Principal	Interest	Total
2018	2.000%	\$ 40,704	814	41,518

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

The formula used to calculate a Sheriff's, deputy's 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 \$271,677

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 \$2,243,035 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 0.035642%, which was an increase of 0.000077% from its collective proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$289,777. 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	\$ 18,639	43,751
Changes of assumptions	32,176	7,959
Net difference between projected and actual earnings on IPERS' investments	399,480	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	71,159	75,435
County contributions subsequent to the measurement date	<u>271,677</u>	-
Total	<u>\$ 793,131</u>	<u>127,145</u>

\$271,677 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	\$ 40,256
2019	40,256
2020	210,476
2021	109,655
2022	<u>(6,334)</u>
Total	<u>\$ 394,309</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 3,926,175	2,243,035	823,654

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

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

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug, dental and vision, benefits for employees, retirees and their spouses. There are 63 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Employee Benefit Programs. 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 actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 42,000
Interest on net OPEB obligation	28,000
Adjustment to annual required contribution	<u>(38,000)</u>
Annual OPEB cost	32,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	22,000
Net OPEB obligation beginning of year	<u>622,000</u>
Net OPEB obligation end of year	<u><u>\$ 644,000</u></u>

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

For the year ended June 30, 2017, the County contributed \$10,000 to the medical plan. Plan members eligible for benefits contributed \$47,568, or 83% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 39,000	26.00%	\$ 600,000
2016	32,000	31.25	622,000
2017	32,000	31.25	644,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$339,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$339,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,957,000 and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The medical trend rate is 5%. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$942 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County’s health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The Fund accounts for the collection of premiums from individuals and departments which are then paid to Employee Benefit Systems for the purchase of health insurance. The cash balance held by Employee Benefits Systems was \$101,240 at June 30, 2017.

At June 30, 2017, the County had an unrestricted net position of \$405,866 in the Employee Group Health Fund to cover future premium payments.

(11) Jointly Governed Organization

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

Additions:		
Contributions from governmental units:		
Union County	\$ 81,359	
City of Creston	<u>61,359</u>	\$ 142,718
Miscellaneous		<u>28,750</u>
Total additions		171,468
Deductions:		
Bed, towels and prisoner articles	1,530	
Building improvements	2,811	
Cleaning/housekeeping	4,972	
Contractual services	20,415	
Electric	30,495	
Insurance and collision damage	3,590	
Miscellaneous	4,594	
Office equipment and repair	18,024	
Printing and supplies	2,676	
Sanitation service	1,320	
Software support and maintenance	8,280	
Software upgrades	33,992	
Telephone	<u>16,945</u>	<u>149,644</u>
Net		21,824
Balance beginning of year		<u>24,102</u>
Balance end of year		<u>\$ 45,926</u>

(12) Early Childhood Iowa Area Board

The County is the fiscal agent for the Quad Counties 4 Kids Early Childhood Area, the Early Childhood Iowa Area Board for Union, Adams, Ringgold and Taylor Counties, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2017 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 40,650	-	40,650
Family support and parent education	-	192,827	192,827
Preschool support for low-income families	-	84,665	84,665
Quality improvement	-	39,685	39,685
Allocation for administration	2,139	10,847	12,986
Other grant programs	-	20,234	20,234
Total state grants	42,789	348,258	391,047
Interest on investments	67	430	497
Total revenues	42,856	348,688	391,544
Expenditures:			
Program services:			
Early childhood	41,101	-	41,101
Family support and parent education	-	172,094	172,094
Preschool support for low income families	-	77,684	77,684
Quality improvement	-	37,685	37,685
Other program services	-	51,667	51,667
Total program services	41,101	339,130	380,231
Administration	2,725	11,751	14,476
Total expenditures	43,826	350,881	394,707
Change in fund balance	(970)	(2,193)	(3,163)
Fund balance beginning of year	9,284	70,497	79,781
Fund balance end of year	\$ 8,314	68,304	76,618

(13) Southern Hills Regional Mental Health

The County is a member of Southern Hills Regional Mental Health, a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Adair, Adams, Taylor and Union Counties. Pursuant to the consortium agreement, the County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health for the year ended June 30, 2017, as follows:

Revenues:	
Property and other county tax	\$ 458,401
Intergovernmental:	
State tax credits	<u>46,491</u>
Total revenues	504,892
Expenditures:	
Distribution to the Region	<u>509,478</u>
Excess of expenditures over revenues	(4,586)
Fund balance beginning of year	<u>41,715</u>
Fund balance end of year	<u><u>\$ 37,129</u></u>

(14) Subsequent Event

In August 2017 the County issued \$3,000,000 of general obligation urban renewal and refunding bonds, series 2017, for the purpose of financing road and culvert improvements in the Union County Road and Bridge Improvements Urban Renewal Area and for refunding the outstanding balance of the County's general obligation solid waste disposal notes, series 2007B.

(15) Prospective Accounting Change

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

Union County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,766,496	5,949,444	5,949,444	(182,948)
Interest and penalty on property tax	57,886	58,050	58,050	(164)
Intergovernmental	5,420,039	6,940,668	6,940,668	(1,520,629)
Licenses and permits	29,437	32,650	32,650	(3,213)
Charges for service	464,009	433,099	433,099	30,910
Use of money and property	55,833	58,210	58,210	(2,377)
Miscellaneous	351,819	200,497	200,497	151,322
Total receipts	12,145,519	13,672,618	13,672,618	(1,527,099)
Disbursements:				
Public safety and legal services	1,682,307	1,796,795	1,821,795	139,488
Physical health and social services	436,159	516,107	543,107	106,948
Mental health	509,478	1,219,018	1,729,018	1,219,540
County environment and education	2,610,021	3,587,951	3,599,951	989,930
Roads and transportation	3,677,928	3,769,790	3,786,290	108,362
Governmental services to residents	505,521	589,496	589,496	83,975
Administration	946,017	995,869	995,869	49,852
Debt service	1,444,053	1,426,156	1,510,656	66,603
Capital projects	323,195	829,650	897,650	574,455
Total disbursements	12,134,679	14,730,832	15,473,832	3,339,153
Excess (deficiency) of receipts over (under) disbursements	10,840	(1,058,214)	(1,801,214)	1,812,054
Other financing sources, net	17,658	20,000	20,000	(2,342)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	28,498	(1,038,214)	(1,781,214)	1,809,712
Balance beginning of year	3,376,587	2,987,302	2,987,302	389,285
Balance end of year	\$ 3,405,085	1,949,088	1,206,088	2,198,997

See accompanying independent auditor's report.

Union County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,145,519	(436,455)	11,709,064
Expenditures	12,134,679	(473,031)	11,661,648
Net	10,840	36,576	47,416
Other financing sources, net	17,658	-	17,658
Beginning fund balances	3,376,587	1,173,051	4,549,638
Ending fund balances	\$ 3,405,085	1,209,627	4,614,712

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$743,000. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function prior to the amendment and disbursements in certain departments exceeded the amounts appropriated prior to the amendment and at year end.

Union 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	0.035642%	0.035565%	0.032056%
County's proportionate share of the net pension liability	\$ 2,243	1,757	1,271
County's covered-employee payroll	\$ 2,957	2,894	2,711
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.85%	60.71%	46.9%
IPERS' net position as a percentage of the total pension liability	81.82%	85.91%	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.

Union County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 272	271	264	248
Contributions in relation to the statutorily required contribution	<u>(272)</u>	<u>(271)</u>	<u>(264)</u>	<u>(248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,056	2,957	2,894	2,711
Contributions as a percentage of covered-employee payroll	8.90%	9.16%	9.12%	9.15%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
240	218	194	169	154	144
(240)	(218)	(194)	(169)	(154)	(144)
-	-	-	-	-	-
2,687	2,608	2,532	2,459	2,387	2,317
8.93%	8.36%	7.66%	6.87%	6.45%	6.21%

Union County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Union 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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,261	1,261	0.0%	\$ 2,205	57.2%
2011	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2012	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2013	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2014	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2015	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2016	Jul 1, 2015	-	339	339	0.0	2,957	11.5
2017	Jul 1, 2015	-	339	339	0.0	2,957	11.5

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.

Union County

Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2017

				Special
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	
Assets				
Cash, cash equivalents and pooled investments	\$ 19,585	97,590		18,572
Receivables:				
Accounts	-	24		5
Total assets	\$ 19,585	97,614		18,577
Fund Balances				
Restricted for other purposes	\$ 19,585	97,614		18,577

See accompanying independent auditor's report.

Revenue

Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	Capital Projects	Total
103,582	7,152	66,689	313,170
26	-	11	66
<u>103,608</u>	<u>7,152</u>	<u>66,700</u>	<u>313,236</u>
<u>103,608</u>	<u>7,152</u>	<u>66,700</u>	<u>313,236</u>

Union County

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

Year ended June 30, 2017

	Flood and Erosion	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	35,707	-
Charges for service	-	-	2,375
Use of money and property	-	287	55
Total revenues	-	35,994	2,430
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	4,640	-	-
Governmental services to residents	-	-	3,000
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,640	-	3,000
Excess (deficiency) of revenues over (under) expenditures	(4,640)	35,994	(570)
Other financing sources (uses):			
Transfers in	8,437	-	-
Transfers out	-	(55,681)	-
Total other financing sources (uses)	8,437	(55,681)	-
Change in fund balances	3,797	(19,687)	(570)
Fund balances beginning of year	15,788	117,301	19,147
Fund balances end of year	\$ 19,585	97,614	18,577

See accompanying independent auditor's report.

Revenue				
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Capital Projects	Total
-	-	140,680	-	140,680
-	-	-	2,500	38,207
-	-	-	-	2,375
-	-	352	146	840
-	-	141,032	2,646	182,102
33	1,457	-	-	1,490
-	-	-	-	4,640
-	-	-	-	3,000
-	-	257,762	-	257,762
-	-	-	153,662	153,662
33	1,457	257,762	153,662	420,554
(33)	(1,457)	(116,730)	(151,016)	(238,452)
-	-	-	85,961	94,398
-	-	-	-	(55,681)
-	-	-	85,961	38,717
(33)	(1,457)	(116,730)	(65,055)	(199,735)
103,641	8,609	116,730	131,755	512,971
103,608	7,152	-	66,700	313,236

Union County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,127	192,430	16,594
Other County officials	49,931	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,431	3,438	11,167
Succeeding year	-	143,000	343,000	1,064,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 49,931	146,558	538,868	1,091,761
Liabilities				
Accounts payable	\$ -	-	721	-
Salaries and benefits payable	-	-	-	-
Due to other governments	19,839	146,558	530,636	1,091,761
Trusts payable	30,092	-	-	-
Compensated absences	-	-	7,511	-
Total liabilities	\$ 49,931	146,558	538,868	1,091,761

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
118,246	6,199	44,779	3,297	371,911	452,346	1,455,780	2,663,709
-	-	-	-	-	-	-	49,931
79,128	4,171	22,384	2,117	-	-	16	123,852
7,891,000	418,000	3,332,000	193,000	-	-	1,000	13,385,000
-	-	-	-	-	-	6,151	6,151
-	-	-	-	-	-	54,537	54,537
-	-	-	-	-	-	4,375	4,375
8,088,374	428,370	3,399,163	198,414	371,911	452,346	1,521,859	16,287,555
-	-	-	-	-	80,090	69,854	150,665
-	-	-	-	-	9,506	2,541	12,047
8,088,374	428,370	3,399,163	198,414	371,911	362,750	1,406,390	16,044,166
-	-	-	-	-	-	31,848	61,940
-	-	-	-	-	-	11,226	18,737
8,088,374	428,370	3,399,163	198,414	371,911	452,346	1,521,859	16,287,555

Union County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Balances beginning of year	\$ 38,112	138,082	424,152	1,079,406
Additions:				
Property and other county tax	-	144,187	345,677	1,072,098
State tax credits	-	13,829	33,223	107,902
Contract law enforcement	-	-	-	-
Office fees and collections	235,274	-	31	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	164,885	-	-	-
Miscellaneous	7,789	-	650	-
Total additions	407,948	158,016	379,581	1,180,000
Deductions:				
Agency remittances:				
To other funds	40,527	-	-	-
To other governments	188,742	149,540	264,865	1,167,645
Trusts paid out	166,860	-	-	-
Total deductions	396,129	149,540	264,865	1,167,645
Balances end of year	\$ 49,931	146,558	538,868	1,091,761

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
7,677,905	402,545	3,269,226	187,538	315,477	538,400	1,409,740	15,480,583
7,944,293	421,022	3,210,183	198,150	-	-	22,864	13,358,474
769,115	40,308	429,281	13,653	-	-	152	1,407,463
-	-	-	-	-	-	138,890	138,890
-	-	-	-	-	-	2,375	237,680
-	-	-	-	3,864,081	-	-	3,864,081
-	-	-	-	-	-	4,220	4,220
-	-	-	-	-	-	270,805	435,690
-	-	-	-	-	995,970	2,077,263	3,081,672
8,713,408	461,330	3,639,464	211,803	3,864,081	995,970	2,516,569	22,528,170
-	-	-	-	136,628	-	-	177,155
8,302,939	435,505	3,509,527	200,927	3,671,019	1,082,024	2,404,450	21,377,183
-	-	-	-	-	-	-	166,860
8,302,939	435,505	3,509,527	200,927	3,807,647	1,082,024	2,404,450	21,721,198
8,088,374	428,370	3,399,163	198,414	371,911	452,346	1,521,859	16,287,555

Union County

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

For the Last Ten Years

	2017	2016	2015	Modified 2014
Revenues:				
Property and other county tax	\$ 5,071,444	5,066,042	5,182,423	5,302,989
Local option sales tax	553,749	451,896	587,413	485,770
Tax increment financing	140,680	308,591	288,563	285,865
Interest and penalty on property tax	57,886	58,665	62,948	56,498
Intergovernmental	5,097,089	6,779,436	10,217,589	4,682,565
Licenses and permits	31,811	73,304	20,845	14,810
Charges for service	463,751	484,337	455,668	508,295
Use of money and property	71,730	59,838	69,516	51,482
Miscellaneous	220,924	158,576	275,373	407,127
Total	\$ 11,709,064	13,440,685	17,160,338	11,795,401
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,658,968	1,621,213	1,649,294	1,605,836
Physical health and social services	443,101	427,515	430,690	430,704
Mental health	509,478	979,306	1,193,629	702,457
County environment and education	2,241,917	3,873,296	6,890,858	2,566,041
Roads and transportation	3,602,147	3,577,262	3,449,120	3,695,527
Governmental services to residents	508,561	446,887	482,639	433,867
Administration	946,068	941,218	1,005,986	1,023,940
Debt service	1,444,052	1,451,675	1,497,622	1,539,439
Capital projects	307,356	421,223	165,610	291,764
Total	\$ 11,661,648	13,739,595	16,765,448	12,289,575

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
5,440,676	5,376,869	5,177,278	4,730,902	4,624,103	4,278,160
515,784	502,850	486,999	495,017	474,595	458,848
297,725	310,545	315,704	310,547	293,218	242,083
60,098	61,773	58,557	51,457	52,064	41,892
3,473,821	3,968,364	4,432,018	3,629,213	4,741,556	3,140,353
15,258	18,095	22,890	19,493	20,950	21,125
510,127	502,703	477,813	436,993	433,511	502,356
52,924	135,110	194,032	227,601	100,943	135,541
303,343	321,018	396,255	283,701	120,294	77,319
<u>10,669,756</u>	<u>11,197,327</u>	<u>11,561,546</u>	<u>10,184,924</u>	<u>10,861,234</u>	<u>8,897,677</u>
1,526,248	1,484,649	1,363,225	1,320,323	1,220,634	1,254,085
460,746	434,188	473,928	479,184	450,182	417,852
878,989	1,967,367	1,838,463	1,169,979	1,753,031	1,844,765
438,914	716,735	1,185,301	615,643	465,943	435,937
3,216,281	3,449,510	4,547,039	4,004,056	2,759,160	3,218,057
451,160	433,577	398,113	402,881	359,967	399,743
957,327	899,154	1,583,489	937,510	815,146	926,442
1,691,998	4,546,564	1,813,452	1,528,855	808,264	644,425
791,975	1,190,972	6,386,417	1,032,421	638,392	687,139
<u>10,413,638</u>	<u>15,122,716</u>	<u>19,589,427</u>	<u>11,490,852</u>	<u>9,270,719</u>	<u>9,828,445</u>

Union County

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

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 9,563
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (\$1,660,438) provided to subrecipients)	14.228	08-DRH-216	1,660,438
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State Traffic Safety Information System Improvement Grants	20.610		4,300
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT488	4,144
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		30
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,745
Foster Care_Title IV-E	93.658		3,559
Adoption Assistance	93.659		1,096
Social Services Block Grant	93.667		2,822
Children's Health Insurance Program	93.767		77
Medical Assistance Program	93.778		16,738
Iowa Department of Public Health:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	5886CD34 5887CD34	965 4,339
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-17-PT-88	23,576
Total			\$ 1,734,392

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

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

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

See accompanying independent auditor's report

**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**



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Union 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 Union 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 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union 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 Union County's internal control. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control.

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

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. We did identify certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-17 and II-B-17 we consider to be material weaknesses.

Compliance and Other Matters

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

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

Union County's Responses to the Findings

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Union 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 Union County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

March 23, 2018



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

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

To the Officials of Union County:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance


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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist which have not been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Item III-A-17, we consider to be a significant deficiency.

Union County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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


MARY MOSIMAN, CPA
Auditor of State

March 23, 2018

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

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Union County did not qualify as a low-risk auditee.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-17 Segregation of Duties

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

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

	<u>Applicable Offices</u>
(1) All employees have access to the change fund.	Recorder and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash.	Recorder, Sheriff and Treasurer
(3) Bank reconciliations are reviewed periodically by an independent person for propriety, but there is no evidence of review being performed.	Treasurer
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder, Sheriff and Treasurer
(5) A list of money and checks received is not prepared and compared to cash receipt records.	Recorder and Treasurer

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

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

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

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Responses –

County Treasurer – Due to limited staffing, we will use the resources and best practices available to delegate and segregate duties to the best of our abilities.

County Recorder – Lack of staff makes it difficult to fully segregate these duties. The Recorder's Office will implement a system for checks that come into the office to ensure they are deposited in the Recorder's checking account. One employee will list the checks and the date they were received and another employee will compare the list to the bank statement and initial and date the day they checked the list.

County Sheriff – Because we have a small office, and already segregate duties as much as possible, we will take our processed bank reconciliation statements to the County Auditor's Office so that someone else can sign off and date the review of our records.

Conclusions – Responses accepted.

II-B-17 Financial Reporting

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

Condition – Material amounts of capital assets and receivables 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 implement procedures to ensure all receivables and capital assets are properly recorded and included in the County's financial statements.

Response – We will develop policies and procedures to ensure the financial statements are complete and accurate.

Conclusion – Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 14.228: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
Federal Award Year: 2017
U.S. Department of Housing and Urban Development
Passed through the Iowa Economic Development Authority**

III-A-17
(2017-001) Monitoring

Criteria – The County entered into an agreement with the Southern Iowa Council of Governments (SICOG) to administer the Community Development Block Grant (CDBG) program. This agreement states SICOG will identify applicable federal and state laws and regulations and assist in complying with federal and state requirements. In addition, the agreement states SICOG will monitor and evaluate the project progress to facilitate compliance with applicable federal and state laws and regulations.

Condition – SICOG monitored the CDBG project to ensure compliance with the requirements of Uniform Guidance. However, since the County was the primary recipient of the CDBG program funds, the County retained responsibility to ensure the requirements were met. The County did not maintain documentation indicating program requirements were met.

Cause – Though the County was the primary recipient of the CDBG program funds which are passed through to SICOG, the County was unaware that it retained the responsibility to ensure compliance requirements were met.

Effect – Without documenting the monitoring of SICOG, the risk arises, that not all applicable compliance requirements have been identified and/or are being met.

Recommendation – The County should receive and maintain documentation to ensure applicable compliance requirements have been met.

Response – Documentation will be maintained in the future to ensure all Federal Compliance requirements are met.

Conclusion – Response accepted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function before being amended. Disbursements in certain departments exceeded the amounts appropriated prior to amendment and at year end.

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

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 – The County Auditor will continue to monitor the department and function budgets to ensure amendments are done prior to disbursements exceeding either the amounts appropriated or amounts budgeted.

Conclusion – Response accepted.

IV-B-17 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-17 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-17 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dennis Brown, member of the Board of Supervisors, Owner of Charlie Brown Auto parts	Purchase of a speedometer	\$ 69

The transactions with Charlie Brown Auto Parts do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since total transactions were less than \$1,500 during the fiscal year.

IV-E-17 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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

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

IV-I-17 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-J-17 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-K-17 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. In addition, the amount reported by the County as TIF debt outstanding was overstated by \$57,874. The Levy Authority Summary also included revenues, expenditures and ending cash balances which did not reconcile to the County’s Special Revenue, Tax Increment Financing Fund.

Recommendation – The County should ensure amounts reported on the Levy Authority Summary of the Annual Urban Renewal Report agree with and are supported by the County’s records.

Response – Documentations will be maintained in the further to ensure TIF Debt outstanding agrees with the County’s records.


Conclusion – Response accepted.

Union County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Stephen J. Hoffman, Senior Auditor II
Adjoa S. Adanledji, Staff Auditor
Luke M. Bormann, CPA, Staff Auditor
Nicholas J. Gassman, Assistant Auditor
Taylor N. Kivell, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State