OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE March 6, 2019

Auditor of State Rob Sand today released an audit report on Decatur County, Iowa.

The County had local tax revenue of $12,401,806 for the year ended June 30, 2018 which included $982,908 in tax credits from the state. The County forwarded $8,089,410 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $4,312,396 of the local tax revenue to finance County operations, a 16.3% increase over the prior year. Other revenues included charges for service of $741,842, operating grants, contributions and restricted interest of $3,192,346, capital grants, contributions and restricted interest of $2,219,935, local option sales tax of $264,864, unrestricted investment earnings of $16,455 and other general revenues of $186,540.

The increase in revenues is primarily due to capital assets contributed by the Iowa Department of Transportation.

Expenses for County operations for the year ended June 30, 2018 totaled $8,435,145, a 7.2% decrease from the prior year. Expenses included $4,075,681 for roads and transportation, $1,601,148 for public safety and legal services and $810,132 for administration.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

DECATUR COUNTY

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

JUNE 30, 2018

Table of Contents

	Exhibit	Page
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		9-15
Basic Financial Statements:	Exhibit	
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
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	27
Notes to Financial Statements		29-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52-53
Budget to GAAP Reconciliation		55
Notes to Required Supplementary Information – Budgetary Reporting		56
Schedule of the County's Proportionate Share of the Net Pension Liability		57
Schedule of County Contributions		58-59
Notes to Required Supplementary Information – Pension Liability		60
Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes		61
Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	70-71
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	72-73
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 Government Auditing Standards		75-76
Schedule of Findings		77-86
Staff		87

Decatur County

Officials

Name	Title	Term Expires
Robert G. Bell	Board of Supervisors	Jan 2019
Dan Christensen	Board of Supervisors	Jan 2021
Jim Fulton	Board of Supervisors	Jan 2021
Stephanie Daughton	County Auditor	Jan 2021
Kathy Martin	County Treasurer	Jan 2019
Gale Norman	County Recorder	Jan 2019
Ben Boswell	County Sheriff	Jan 2021
Lisa Hynden-Jeanes	County Attorney	Jan 2019
Justin Cornett	County Assessor	Jan 2022

Decatur County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Decatur County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Decatur County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 52 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2019 on our consideration of Decatur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Decatur County's internal control over financial reporting and compliance.

ROB SAND
Auditor of State

February 19, 2019

Decatur County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, <u>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</u>, during fiscal year 2018. The beginning net position for governmental activities was restated by $67,932 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 13.6%, or approximately $1,308,000, from fiscal year 2017 to fiscal year 2018. Capital grants, contributions and restricted interest increased approximately $1,547,000 while operating grants, contributions and restricted interest decreased approximately $958,000. In addition, property tax increased approximately $579,000.
- Program expenses of the County's governmental activities were 7.2%, or approximately $652,000, less in fiscal year 2018 than in fiscal year 2017. Roads and transportation expenses decreased approximately $650,000 while public safety and legal services expenses increased approximately $80,000.
- The County's net position increased 11.5%, or approximately $2,499,000 over the restated June 30, 2017 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Decatur County's net position increased from approximately $21.8 million to approximately $24.2 million. The analysis that follows focuses on the changes in the net position of governmental activities.

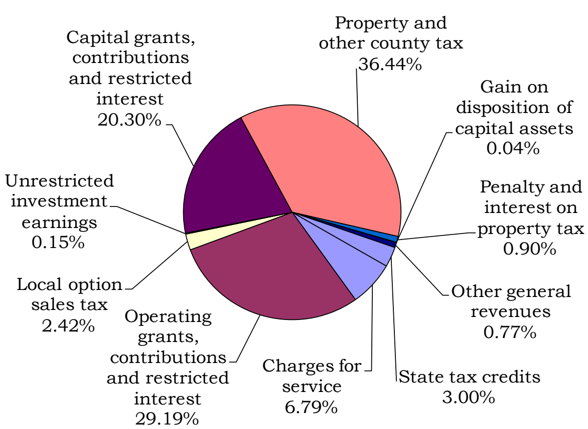
Net Position of Governmental Activities
(Expressed in Thousands)

	June 30, 2018	June 30, 2017 (Not Restated)
Current and other assets	$ 9,660	8,334
Capital assets	24,607	23,426
Total assets	34,267	31,760
Deferred outflows of resources	863	804
Long-term liabilities	5,963	6,120
Other liabilities	349	362
Total liabilities	6,312	6,482
Deferred inflows of resources	4,579	4,275
Net position:		
Net investment in capital assets	21,557	20,110
Restricted	3,971	3,213
Unrestricted	(1,289)	(1,516)
Total net position	$ 24,239	21,807

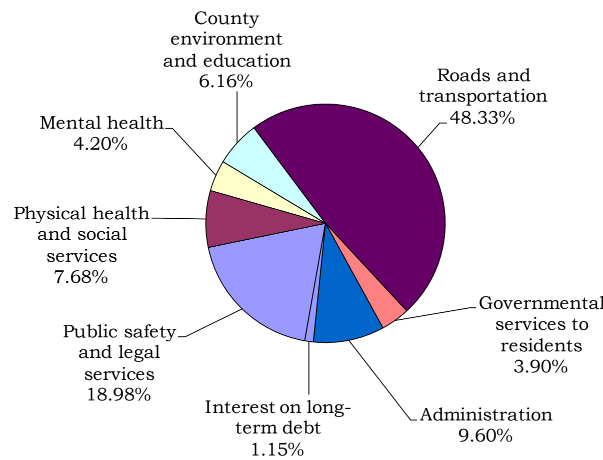
Prior to the restatement, net position of Decatur County's governmental activities increased 11.2% (approximately $24.2 million compared to approximately $21.8 million). The largest portion of the County's net position is invested in capital assets (land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately $1,447,000, primarily due to infrastructure contributed by the Iowa Department of Transportation. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased 23.6%, or approximately $758,000, primarily due to increased net position restricted for supplemental levy and secondary roads which increased approximately $117,000 and $465,000, respectively. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – decreased from a deficit of approximately $1,516,000 at June 30, 2017 to a deficit of approximately $1,289,000 at the end of this year, a decrease of 14.9%. The deficit is primarily due to the net pension liability.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	$ 742	694
Operating grants, contributions and restricted interest	3,192	4,150
Capital grants, contributions and restricted interest	2,220	673
General revenues:		
Property and other county tax	3,985	3,406
Penalty and interest on property tax	98	83
State tax credits	328	301
Local option sales tax	265	254
Unrestricted investment earnings	16	14
Gain on disposition of capital assets	4	2
Other general revenues	84	49
Total revenues	10,934	9,626
Program expenses:		
Public safety and legal services	1,601	1,521
Physical health and social services	648	692
Mental health	354	395
County environment and education	520	521
Roads and transportation	4,076	4,726
Governmental services to residents	329	298
Administration	810	820
Interest on long-term debt	97	114
Total expenses	8,435	9,087
Change in net position	2,499	539
Net position beginning of year, as restated	21,740	21,268
Net position end of year	$ 24,239	21,807

Revenues by Source



Expenses by Function



Revenues for governmental activities totaled approximately $10,934,000, an increase of 13.6% over the prior year. Property and other county tax revenues account for 36.5% of governmental activities revenues and increased approximately $579,000 over the prior year. In fiscal year 2018, the urban tax rate was $13.922620 per $1,000 of taxable valuation compared to the fiscal year 2017 tax rate of $12.096580 per $1,000 of taxable valuation. The rural tax rate in fiscal year 2018 was $17.36108 per $1,000 of taxable valuation compared to the fiscal year 2017 tax rate of $15.53504 per $1,000 of taxable valuation.

Charges for service revenues increased approximately $48,000. Operating grants, contributions and restricted interest decreased approximately $958,000. Capital grants, contributions and restricted interest increased approximately $1,547,000, primarily due to more capital assets contributed by the Iowa Department of Transportation in the current year.

The cost of all governmental activities was approximately $8.4 million for fiscal year 2018 compared to approximately $9.1 million for fiscal year 2017. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $2.3 million because some of the costs were paid by those directly benefiting from the programs (approximately $742,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $5,412,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately $5,517,000 to approximately $6,154,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of $4,161,853, an increase of $1,104,829 over last year's total of $3,057,024. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately $549,000, or 16.2%, over the prior year, primarily due to an increase in property tax revenues, while expenditures increased approximately $32,000, or 0.9%, over the prior year. The ending fund balance increased approximately $469,000 over the prior year to approximately $892,000.

- Special Revenue, Mental Health Fund expenditures decreased approximately $8,700, or 2.5%, from the prior year while revenues increased approximately $4,600, or 1.4%. The ending fund balance decreased approximately $3,800 from the prior year to approximately $759,000.

- Special Revenue, Rural Services Fund expenditures decreased approximately $3,100, or 1.1%, over the prior year while revenues increased approximately $27,100, or 3.2%. The ending fund balance increased approximately $91,000 over the prior year to approximately $432,000.

- Special Revenue, Secondary Roads Fund expenditures decreased approximately $449,000 from the prior year while revenues decreased approximately $143,000. The Secondary Roads Fund balance at year end increased approximately $474,000, or 36.6%, to approximately $1,767,000. The increase in fund balance was primarily due to an overall spending reduction, including purchasing less equipment and rock and a reduction of work on construction projects to enable the County to increase the fund balance for future needs.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in December 2017 and resulted in an increase in budgeted disbursements of $192,185. The primary reason for this amendment was to reflect the increased cost of public safety and legal services and county environment and education. The second amendment was made in April 2018 and resulted in an increase in budgeted disbursements of $13,575. The primary reason for this amendment was to reflect increases in costs for public health services.

The County's receipts were $316,943 more than budgeted, a variance of 3.7%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were $845,686, or 9.9%, less than the final amended budget. Road and transportation function disbursements were approximately $124,000 less than the final budget due to secondary roads cutting back on spending to get their fund balance back to a healthy balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Decatur County had approximately $24.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately $1,181,000, or 5.0%, last year.

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

	June 30, 2018	June 30, 2017
Land	$ 3,071	3,075
Construction in progress	1,811	587
Buildings and improvements	4,545	4,669
Equipment and vehicles	1,352	1,499
Intangibles	520	520
Infrastructure	13,308	13,076
Total	$ 24,607	23,426

The County had depreciation expense of $1,253,310 in fiscal year 2018 and total accumulated depreciation of $11,791,557 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2018, Decatur County had approximately $3,051,000 of outstanding debt, which included approximately $73,000 of bank loan debt, $180,000 of general obligation note debt, $2,635,000 of revenue bond debt and $163,000 of capital lease debt compared to total outstanding debt of approximately $3,316,000 at June 30, 2017.

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

	June 30,	
	2018	2017
Bank loan	$ 73	77
General obligation note	180	240
Revenue bonds	2,635	2,800
Capital lease purchase agreement	163	199
Total	$ 3,051	3,316

Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.3% versus 2.8% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 3.9%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Budgeted expenditures for fiscal year 2019 are $8,917,829, an increase of $377,332 from the fiscal year 2018 amended budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from $2,359,550 to $2,062,674 by the close of fiscal year 2019.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N Main Street, Leon, Iowa 50144.

Decatur County

Basic Financial Statements

Decatur County

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	$ 3,612,223
Receivables:	
Property tax:	
Delinquent	117,681
Succeeding year	4,221,000
Interest and penalty on property tax	268,613
Accounts	9,437
Accrued interest	8,635
Due from other governments	859,432
Inventories	562,851
Capital assets, net of accumulated depreciation	24,606,857
Total assets	34,266,729
Deferred Outflows of Resources	
Pension related deferred outflows	863,377
Liabilities	
Accounts payable	136,184
Accrued interest payable	7,079
Salaries and benefits payable	140,545
Due to other governments	65,119
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	4,296
General obligation notes	60,000
Jail Authority revenue bonds	170,000
Capital lease purchase agreement	87,238
Compensated absences	167,578
Portion due or payable after one year:	
Bank loan	68,366
General obligation notes	120,000
Jail Authority revenue bonds	2,465,000
Capital lease purchase agreement	75,378
Compensated absences	75,570
Net pension liability	2,333,115
Total OPEB liability	336,996
Total liabilities	6,312,464
Deferred Inflows of Resources	
Unavailable property tax revenue	4,221,000
Pension related deferred inflows	357,892
Total deferred inflows of resources	4,578,892
Net Position	
Net investment in capital assets	21,556,579
Restricted for:	
Supplemental levy purposes	247,615
Mental health purposes	759,970
Rural services purposes	445,753
Secondary roads purposes	2,204,688
Debt service	9,874
Conservation purposes	222,624
Other purposes	80,245
Unrestricted	(1,288,598)
Total net position	$ 24,238,750

See notes to financial statements.

Decatur County

Statement of Activities

Year ended June 30, 2018

		Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 1,601,148	152,134	9,475	-	(1,439,539)
Physical health and social services	648,539	248,688	155,358	-	(244,493)
Mental health	354,346	7,861	4,371	-	(342,114)
County environment and education	519,927	94,505	39,778	12,834	(372,810)
Roads and transportation	4,075,681	63,739	2,983,364	2,207,101	1,178,523
Governmental services to residents	328,840	141,902	-	-	(186,938)
Administration	810,132	32,915	-	-	(777,217)
Interest on long-term debt	96,532	98	-	-	(96,434)
Total	$ 8,435,145	741,842	3,192,346	2,219,935	(2,281,022)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,688,588
Debt service					295,991
Penalty and interest on property tax					98,082
State tax credits					327,817
Local option sales tax					264,864
Unrestricted investment earnings					16,455
Gain on disposition of capital assets					4,318
Miscellaneous					84,140
Total general revenues					4,780,255
Change in net position					2,499,233
Net position beginning of year, as restated					21,739,517
Net position end of year					$ 24,238,750

See notes to financial statements.

Decatur County

Balance Sheet
Governmental Funds

June 30, 2018

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	$ 1,002,622	769,121	418,102
Receivables:			
Property tax:			
Delinquent	82,635	8,807	17,516
Succeeding year	3,029,000	297,000	600,000
Interest and penalty on property tax	268,613	-	-
Accounts	6,436	2,000	-
Accrued interest	8,635	-	-
Due from other funds	-	-	-
Due from other governments	48,714	1,089	24,442
Inventories	-	-	-
Total assets	$ 4,446,655	1,078,017	1,060,060
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 41,709	4,887	4,068
Salaries and benefits payable	75,445	4,315	5,423
Due to other governments	58,279	3,616	-
Due to other funds	1,347	45	1,009
Total liabilities	176,780	12,863	10,500
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,029,000	297,000	600,000
Other	349,114	8,679	17,369
Total deferred inflows of resources	3,378,114	305,679	617,369
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	240,620	-	-
Mental health purposes	-	759,475	-
Rural services purposes	-	-	432,191
Secondary roads purposes	-	-	-
Debt service	-	-	-
Conservation purposes	-	-	-
Other purposes	-	-	-
Assigned for conservation purposes	68,673	-	-
Unassigned	582,468	-	-
Total fund balances	891,761	759,475	432,191
Total liabilities, deferred inflows of resources and fund balances	$ 4,446,655	1,078,017	1,060,060

See notes to financial statements.

Revenue Secondary Roads	Nonmajor	Total
1,117,909	304,469	3,612,223
-	8,723	117,681
-	295,000	4,221,000
-	-	268,613
1,001	-	9,437
-	-	8,635
2,401	-	2,401
777,087	8,100	859,432
562,851	-	562,851
2,461,249	616,292	9,662,273
84,050	1,470	136,184
55,362	-	140,545
3,224	-	65,119
-	-	2,401
142,636	1,470	344,249
-	295,000	4,221,000
551,414	8,595	935,171
551,414	303,595	5,156,171
562,851	-	562,851
-	-	240,620
-	-	759,475
-	-	432,191
1,204,348	-	1,204,348
-	8,358	8,358
-	222,624	222,624
-	80,245	80,245
-	-	68,673
-	-	582,468
1,767,199	311,227	4,161,853
2,461,249	616,292	9,662,273

Decatur County

Decatur County

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

June 30, 2018

Total governmental fund balances (page 21)		$ 4,161,853
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $36,398,414 and the accumulated depreciation is $11,791,557.		24,606,857
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.		935,171
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	$ 863,377	
Deferred inflows of resources	(357,892)	505,485
Interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(7,079)
Long-term liabilities, including bank loan payable, general obligation notes payable, Jail Authority revenue bonds payable, capital lease purchase agreements payable, compensated absences payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(5,963,537)
Net position of governmental activities (page 18)		$ 24,238,750

See notes to financial statements.

Decatur County

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

Year ended June 30, 2018

	General	Special: Mental Health	Special: Rural Services
Revenues:			
Property and other county tax	$ 2,804,043	298,842	560,639
Local option sales tax	-	-	264,864
Interest and penalty on property tax	48,565	-	-
Intergovernmental	682,293	30,306	41,909
Licenses and permits	87	-	-
Charges for service	289,126	-	-
Use of money and property	16,155	-	-
Miscellaneous	102,003	7,861	1,131
Total revenues	3,942,272	337,009	868,543
Expenditures:			
Operating:			
Public safety and legal services	1,350,514	-	159,069
Physical health and social services	642,187	-	-
Mental health	-	340,786	-
County environment and education	392,079	-	126,360
Roads and transportation	-	-	-
Governmental services to residents	316,684	-	2,110
Administration	768,953	-	-
Debt service	8,060	-	-
Capital projects	-	-	-
Total expenditures	3,478,477	340,786	287,539
Excess (deficiency) of revenues over (under) expenditures	463,795	(3,777)	581,004
Other financing sources (uses):			
Sale of capital assets	5,000	-	-
Transfers in	-	-	-
Transfers out	-	-	(490,000)
Capital lease purchase agreement	-	-	-
Total other financing sources (uses)	5,000	-	(490,000)
Change in fund balances	468,795	(3,777)	91,004
Fund balances beginning of year	422,966	763,252	341,187
Fund balances end of year	$ 891,761	759,475	432,191

See notes to financial statements.

Revenue Secondary Roads	Nonmajor	Total
-	295,991	3,959,515
-	-	264,864
-	-	48,565
3,093,452	42,134	3,890,094
1,150	-	1,237
24	38,747	327,897
-	398	16,553
58,955	76,181	246,131
3,153,581	453,451	8,754,856
-	43,187	1,552,770
-	3,315	645,502
-	-	340,786
-	11,237	529,676
3,181,035	-	3,181,035
-	1,995	320,789
-	-	768,953
-	318,535	326,595
54,079	-	54,079
3,235,114	378,269	7,720,185
(81,533)	75,182	1,034,671
16,000	-	21,000
490,000	-	490,000
-	-	(490,000)
49,158	-	49,158
555,158	-	70,158
473,625	75,182	1,104,829
1,293,574	236,045	3,057,024
1,767,199	311,227	4,161,853

Decatur County

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

Year ended June 30, 2018

Change in fund balances - Total governmental funds (page 25)		$ 1,104,829
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 243,844	
Capital assets contributed by the Iowa Department of Transportation	2,207,101	
Depreciation expense	(1,253,310)	1,197,635
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.		(16,682)
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	25,064	
Other	(56,961)	(31,897)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:		
Issued	(49,158)	
Repaid	314,583	265,425
The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position.		302,169
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	(1,541)	
Interest on long-term debt	554	
OPEB expense	(12,664)	
Pension expense	(308,595)	(322,246)
Change in net position of governmental activities (page 19)		$ 2,499,233

See notes to financial statements.

Decatur County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets	
Cash and pooled investments:	
County Treasurer	$ 2,004,962
Other County officials	16,689
Receivables:	
Property tax:	
Delinquent	191,532
Succeeding year	7,453,000
Accounts	7,527
Special assessments	79,492
Due from other governments	92,476
Total assets	9,845,678
Liabilities	
Accounts payable	127,922
Salaries and benefits payable	6,473
Due to other governments	9,662,453
Trusts payable	48,732
Compensated absences	98
Total liabilities	9,845,678
Net position	$ -

See notes to financial statements.

Decatur County

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance /Net Position

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

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

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Decatur County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements in one department exceeded the amount appropriated prior to the budget amendments.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2018 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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	$ 1,347
	Special Revenue:	
	Mental Health	45
	Rural Services	1,009
Total		$ 2,401

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 490,000

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,074,748	-	4,200	3,070,548
Intangibles, road network	519,719	-	-	519,719
Construction in progress, road network	559,720	2,296,282	1,080,846	1,775,156
Construction in progress	27,329	8,887	-	36,216
Total capital assets not being depreciated	4,181,516	2,305,169	1,085,046	5,401,639
Capital assets being depreciated:				
Buildings	5,113,387	7,153	34,396	5,086,144
Improvements other than buildings	486,071	-	-	486,071
Equipment and vehicles	5,946,913	138,620	83,961	6,001,572
Infrastructure, road network	18,342,142	1,080,846	-	19,422,988
Total capital assets being depreciated	29,888,513	1,226,619	118,357	30,996,775
Less accumulated depreciation for:				
Buildings	768,668	102,427	21,915	849,180
Improvements other than buildings	161,684	16,001	-	177,685
Equipment and vehicles	4,447,958	285,454	83,963	4,649,449
Infrastructure, road network	5,265,815	849,428	-	6,115,243
Total accumulated depreciation	10,644,125	1,253,310	105,878	11,791,557
Total capital assets being depreciated, net	19,244,388	(26,691)	12,479	19,205,218
Governmental activities capital assets, net	$ 23,425,904	2,278,478	1,097,525	24,606,857

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 104,052
Physical health and social services	11,369
Mental health	13,023
County environment and education	23,839
Roads and transportation	1,058,638
Governmental services to residents	7,920
Administration	34,469
Total depreciation expense - governmental activities	$ 1,253,310

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2018 is as follows:

Fund	Description	Amount
General	Services	$ 58,279
Special Revenue:		
Mental Health	Services	3,616
Secondary Roads	Services	3,224
		6,840
Total for governmental funds		$ 65,119
Agency:		
County Offices	Collections	$ 7,241
Ag. Extension Education		83,818
County Assessor		661,613
Schools		4,682,705
Community Colleges		248,100
Corporations		1,538,599
Townships		152,861
Auto License and Use Tax		178,024
CROSS Mental Health Region		333,879
All other		1,775,613
Total for agency funds		$ 9,662,453

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Bank Loan	General Obligation Notes	Jail Authority Revenue Bonds	Capital Lease Purchase Agreements	Compen-sated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$ 77,171	240,000	2,800,000	198,532	241,607	2,306,401	324,332	6,188,043
Increases	-	-	-	49,158	199,176	26,714	12,664	287,712
Decreases	4,509	60,000	165,000	85,074	197,635	-	-	512,218
Balance end of year	$ 72,662	180,000	2,635,000	162,616	243,148	2,333,115	336,996	5,963,537
Due within one year	$ 4,296	60,000	170,000	87,238	167,578	-	-	489,112

Bank Loan

A summary of the County's June 30, 2018 bank loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bank Loan October 2011 and June 2012 Principal	Interest	Interest Rate	Bank Loan March 11, 2016 Principal	Interest	Total Bank Loans Principal	Interest	Total
2019	4.85%	$ 2,629	2,452	4.02%	$ 1,667	580	$ 4,296	3,032	7,328
2020	4.85	3,024	2,584	4.02	1,890	562	4,914	3,146	8,060
2021	4.85	3,183	2,424	4.02	1,970	482	5,153	2,906	8,059
2022	4.85	3,343	2,264	4.02	2,052	400	5,395	2,664	8,059
2023	4.85	3,512	2,096	4.02	2,137	314	5,649	2,410	8,059
2024-2028	4.85	20,382	7,656	4.02	6,549	398	26,931	8,054	34,985
2029-2033	4.85	20,324	2,107	4.02	-	-	20,324	2,107	22,431
Total		$ 56,397	21,583		$ 16,265	2,736	$ 72,662	24,319	96,981

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

On March 11, 2016, the County borrowed $20,000 from American State Bank for roof repairs and building maintenance to the Public Health building. The loan bears an interest rate of 4.02% per annum and matures during the year ending June 30, 2026. The loan payments were combined with the previous note for a $672 per month payment. During the year ended June 30, 2018 the County paid $4,509 of principal and $3,551 of interest on these loans.

General Obligation Notes

On March 1, 2016, the County issued $300,000 of general obligation notes for the purpose of constructing improvements, acquiring furnishings and equipment for the Courthouse, Public Health Building and County Jail, in addition to the purchase of both a vehicle for the Sheriff's Department and a geographic information system for the County. The notes bear interest at 2.82% per annum and mature during the year ending June 30, 2021. During the year ended June 30, 2018, the County paid principal of $60,000 and interest of $6,773 on the notes.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2019	2.82%	$ 60,000	5,076	65,076
2020	2.82	60,000	3,384	63,384
2021	2.82	60,000	1,692	61,692
Total		$ 180,000	10,152	190,152

Jail Authority Revenue Bonds

On November 12, 2014, the Decatur County Jail Authority issued $3,300,000 of Jail Facilities Revenue Bonds, Series 2014. The proceeds from the bonds have provided for financing the acquisition, construction, furnishing and equipping of jail facilities. The bonds are payable solely from future rental payments made by the County under a capital lease purchase agreement with the Jail Authority. The total principal and interest remaining to be paid on the bonds is $3,230,599 and the bonds are payable through 2031. The bonds bear interest at rates ranging from 3.00% to 3.20% per annum. During the year ended June 30, 2018, the Authority paid principal of $165,000 and interest of $84,828 on the bonds.

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

Details of the Jail Authority revenue bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	3.00%	$ 170,000	79,877	249,877
2020	3.00	175,000	74,777	249,777
2021	3.00	180,000	69,528	249,528
2022	3.00	185,000	64,128	249,128
2023	3.00	190,000	58,578	248,578
2024-2028	3.00	1,035,000	204,238	1,239,238
2029-2031	3.00-3.20	700,000	44,473	744,473
Total		$ 2,635,000	595,599	3,230,599

Capital Lease Purchase Agreements

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

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

During the year ended June 30, 2018, the County entered into a capital lease purchase agreement for a mower tractor for $49,158. The agreement bears no interest per annum and is payable in annual installments of $8,232, with the final payment due on March 30, 2023.

The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2018:

Year Ending June 30,	Excavator	Tractor	Tractor	Total
2019	$ 68,531	13,786	8,232	90,549
2020	17,201	13,786	8,232	39,219
2021	-	13,787	8,232	22,019
2022	-	-	8,231	8,231
2023	-	-	8,231	8,231
Total minimum lease payments	85,732	41,359	41,158	168,249
Less amount representing interest	(1,228)	(4,405)	-	(5,633)
Present value of net minimum lease payments	$ 84,504	36,954	41,158	162,616

Payments under the capital lease purchase agreements totaled $90,317 for the year ended June 30, 2018.

(8) Pension Plan

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

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

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

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

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

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

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

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

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

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, 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 9.38% of covered payroll, for a total rate of 18.76%. 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, 2018 were $302,169.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of $2,333,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.035025%, which was a decrease of 0.001623% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $308,595. At June 30, 2018, 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	$	29,297	32,406
Changes of assumptions		500,783	3,975
Net difference between projected and actual earnings on IPERS' investments		-	32,163
Changes in proportion and differences between County contributions and the County's proportionate share of contributions		31,128	289,348
County contributions subsequent to the measurement date		302,169	-
Total	$	863,377	357,892

$302,169 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, 2019. 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
2019	$ (5,860)
2020	148,470
2021	55,997
2022	(24,789)
2023	29,498
Total	$ 203,316

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability:	$ 4,254,308	2,333,115	720,297

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, 2018.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Decatur County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	69
Total	69

Total OPEB Liability – The County's total OPEB liability of $336,996 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 324,332
Changes for the year:	
Service cost	51,505
Interest	13,187
Differences between expected and actual experiences	(35,805)
Changes in assumptions	(1,108)
Benefit payments	(15,115)
Net changes	12,664
Total OPEB liability end of year	$ 336,996

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 359,854	336,996	315,824

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.0%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.0%)
Total OPEB liability	$ 308,250	336,996	370,529

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $27,779. Under the alternative measurement method, all deferred outflows and inflows of resources related to OPEB are fully recognized immediately.

(10) Operating Leases

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

Year ending June 30,		Copiers	Phone System	Amount
2019	$	20,706	9,876	30,582
2020		20,706	9,876	30,582
2021		1,726	2,469	4,195
Total	$	43,138	22,221	65,359

Lease expense for these leases for the year ended June 30, 2018 totaled $43,529.

(11) Risk Management

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

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

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2018, which covers exposures of specific losses in excess of $750,000, with a $250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of $400,000 per occurrence, up to a maximum of $5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2018, 2017 and 2016, the Pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the Pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2018, settled claims have not exceeded the Pool or reinsurance coverage since commencement of the Pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were $293,177.

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

(12) Higher Education Notes

In December 2013, the County issued $9,158,000 of refunding notes for Graceland University under the provisions of Chapter 419 of the Code of Iowa. The balance outstanding on the refunding notes at June 30, 2018 is $9,158,000. The notes and related interest are payable solely from and are secured by a pledge of revenues to be received from Graceland University and the note principal and interest do not constitute liabilities of the County.

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

County Rural Offices of Social Services (CROSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa includes the following member counties: Clarke County, Decatur County, Lucas County, Monroe County, Ringgold County and Wayne County. The financial activity of Decatur County's Special Revenue, Mental Health Fund is included in the County Rural Offices of Social Services (CROSS) Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		$ 298,842
Intergovernmental:		
State tax credits	$ 25,633	
MH-DD reimbursement from other governments	4,371	
Other	302	30,306
Miscellaneous		7,861
Total revenues		337,009
Expenditures:		
Services to persons with:		
Mental illness		212,726
General administration:		
Direct administration	13,958	
Distribution to regional fiscal agent	114,102	128,060
Total expenditures		340,786
Excess of expenditures over revenues		(3,777)
Fund balance beginning of year		763,252
Fund balance end of year		$ 759,475

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized if the County has not chosen to use the alternative measurement method. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources, if applicable, are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 21,807,449
Net OPEB obligation measured under previous standards	256,400
Total OPEB liability at June 30, 2017	(324,332)
Net position July 1, 2017, as restated	$ 21,739,517

Decatur County

Required Supplementary Information

Decatur County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 4,222,320	-	4,222,320
Interest and penalty on property tax	47,808	-	47,808
Intergovernmental	3,990,131	-	3,990,131
Licenses and permits	1,437	-	1,437
Charges for service	315,262	-	315,262
Use of money and property	12,257	23	12,234
Miscellaneous	243,069	-	243,069
Total receipts	8,832,284	23	8,832,261
Disbursements:			
Public safety and legal services	1,537,462	-	1,537,462
Physical health and social services	659,549	-	659,549
Mental health	334,194	-	334,194
County environment and education	559,427	-	559,427
Roads and transportation	3,135,542	-	3,135,542
Governmental services to residents	319,061	-	319,061
Administration	768,902	-	768,902
Debt service	577,923	251,328	326,595
Capital projects	54,079	-	54,079
Total disbursements	7,946,139	251,328	7,694,811
Excess (deficiency) of receipts over (under) disbursements	886,145	(251,305)	1,137,450
Other financing sources, net	272,328	251,328	21,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,158,473	23	1,158,450
Balance beginning of year	2,453,750	24	2,453,726
Balance end of year	$ 3,612,223	47	3,612,176

See accompanying independent auditor’s report.

Budgeted Amounts Original	Final	Final to Net Variance
4,455,751	4,216,352	5,968
32,000	32,000	15,808
3,583,118	3,741,281	248,850
7,588	1,788	(351)
270,430	309,355	5,907
5,000	5,000	7,234
179,090	209,542	33,527
8,532,977	8,515,318	316,943
1,525,294	1,606,129	68,667
671,418	739,151	79,602
415,939	415,939	81,745
559,130	642,940	83,513
3,259,871	3,259,871	124,329
350,473	355,443	36,382
882,816	849,128	80,226
324,796	326,896	301
345,000	345,000	290,921
8,334,737	8,540,497	845,686
198,240	(25,179)	1,162,629
-	5,000	16,000
198,240	(20,179)	1,178,629
1,839,259	2,288,692	165,034
2,037,499	2,268,513	1,343,663

Decatur County

Decatur County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 8,832,284	(77,428)	8,754,856
Expenditures	7,946,139	(225,954)	7,720,185
Net	886,145	148,526	1,034,671
Other financing sources, net	272,328	(202,170)	70,158
Beginning fund balances	2,453,750	603,274	3,057,024
Ending fund balances	$ 3,612,223	549,630	4,161,853

See accompanying independent auditor's report.

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $205,760. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2018, disbursements did not exceed the amount budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment.

Decatur County

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

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

Required Supplementary Information

		2018	2017	2016	2015
County's proportion of the net pension liability		0.035025%	0.036648%	0.041231%	0.040327%
County's proportionate share of the net pension liability	$	2,333	2,306	2,037	1,599
County's covered payroll	$	3,193	3,133	3,385	3,291
County's proportionate share of the net pension liability as a percentage of its covered payroll		73.07%	73.60%	60.18%	48.59%
IPERS' net position as a percentage of the total pension liability		82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Decatur County

Schedule of County Contributions

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

Required Supplementary Information

		2018	2017	2016	2015
Statutorily required contribution	$	302	291	285	308
Contributions in relation to the statutorily required contribution		(302)	(291)	(285)	(308)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	3,318	3,193	3,133	3,385
Contributions as a percentage of covered payroll		9.10%	9.11%	9.10%	9.10%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
300	274	252	217	206	201
(300)	(274)	(252)	(217)	(206)	(201)
-	-	-	-	-	-
3,291	3,078	3,006	2,951	2,962	3,038
9.12%	8.90%	8.38%	7.35%	6.95%	6.62%

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

Decatur County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	2018
Service cost	$ 51,505
Interest cost	13,187
Difference between expected and actual experiences	(35,805)
Changes in assumptions	(1,108)
Benefit payments	(15,115)
Net change in total OPEB liability	12,664
Total OPEB liability beginning of year, as restated	324,332
Total OPEB liability end of year	$ 336,996
Covered-employee payroll	$ 3,073,594
Total OPEB liability as a percentage of covered-employee payroll	11.0%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Decatur County

Supplementary Information

Decatur County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

		Special
	County Recorder's Records Management	Resource Enhancement and Protection
Assets		
Cash and pooled investments	$ 5,805	41,247
Receivables:		
Delinquent property tax	-	-
Succeeding year property tax	-	-
Due from other governments	-	-
Total assets	$ 5,805	41,247
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	$ -	-
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	-	-
Other	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for:		
Debt service	-	-
Conservation purposes	-	-
Other purposes	5,805	41,247
Total fund balances	5,805	41,247
Total liabilities, deferred inflows of resources and fund balances	$ 5,805	41,247

See accompanying independent auditor's report.

Revenue					
Emergency Medical Services	Special Law Enforcement Proceeds	County Attorney Forfeiture	Friends of Conservation	Debt Service	Total
2,161	13,722	10,245	222,624	8,665	304,469
-	-	-	-	8,723	8,723
-	-	-	-	295,000	295,000
-	8,100	-	-	-	8,100
2,161	21,822	10,245	222,624	312,388	616,292
-	1,035	-	-	435	1,470
-	-	-	-	295,000	295,000
-	-	-	-	8,595	8,595
-	-	-	-	303,595	303,595
-	-	-	-	8,358	8,358
-	-	-	222,624	-	222,624
2,161	20,787	10,245	-	-	80,245
2,161	20,787	10,245	222,624	8,358	311,227
2,161	21,822	10,245	222,624	312,388	616,292

Decatur County

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

Year ended June 30, 2018

	Special		
	County Recorder's Records Management	Resource Enhancement and Protection	Emergency Medical Services
Revenues:			
Property and other county tax	$ -	-	-
Intergovernmental	-	9,325	2,398
Charges for service	1,442	-	-
Use of money and property	75	225	-
Miscellaneous	-	-	2,000
Total revenues	1,517	9,550	4,398
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	3,315
County environment and education	-	8,886	-
Government services to residents	1,995	-	-
Debt service	-	-	-
Total expenditures	1,995	8,886	3,315
Change in fund balances	(478)	664	1,083
Fund balances beginning of year	6,283	40,583	1,078
Fund balances end of year	$ 5,805	41,247	2,161

See accompanying independent auditor’s report.

Revenue				
Special Law Enforcement Proceeds	County Attorney Forfeiture	Friends of Conservation	Debt Service	Total
-	-	-	295,991	295,991
4,725	-	-	25,686	42,134
37,305	-	-	-	38,747
-	-	-	98	398
-	466	73,715	-	76,181
42,030	466	73,715	321,775	453,451
43,187	-	-	-	43,187
-	-	-	-	3,315
-	-	2,351	-	11,237
-	-	-	-	1,995
-	-	-	318,535	318,535
43,187	-	2,351	318,535	378,269
(1,157)	466	71,364	3,240	75,182
21,944	9,779	151,260	5,118	236,045
20,787	10,245	222,624	8,358	311,227

Decatur County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	$ -	1,642	463,561	91,626
Other County officials	16,689	-	-	-
Receivables:				
Property tax:				
Delinquent	-	2,176	5,395	121,079
Succeeding year	-	80,000	197,000	4,470,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	$ 16,689	83,818	665,956	4,682,705
Liabilities				
Accounts payable	$ -	-	-	-
Salaries and benefits payable	-	-	4,245	-
Due to other governments	7,241	83,818	661,613	4,682,705
Trusts payable	9,448	-	-	-
Compensated absences	-	-	98	-
Total liabilities	$ 16,689	83,818	665,956	4,682,705

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
4,776	44,851	2,453	178,024	460,589	757,440	2,004,962
-	-	-	-	-	-	16,689
6,324	28,748	4,408	-	-	23,402	191,532
237,000	1,465,000	146,000	-	-	858,000	7,453,000
-	-	-	-	-	7,527	7,527
-	-	-	-	-	79,492	79,492
-	-	-	-	476	92,000	92,476
248,100	1,538,599	152,861	178,024	461,065	1,817,861	9,845,678
-	-	-	-	125,995	1,927	127,922
-	-	-	-	1,191	1,037	6,473
248,100	1,538,599	152,861	178,024	333,879	1,775,613	9,662,453
-	-	-	-	-	39,284	48,732
-	-	-	-	-	-	98
248,100	1,538,599	152,861	178,024	461,065	1,817,861	9,845,678

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	$ 16,614	77,527	595,094	4,298,337
Additions:				
Property and other county tax	-	80,077	197,721	4,475,116
911 surcharge	-	-	-	-
State tax credits	-	6,406	15,888	359,113
Office fees and collections	193,431	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	52,390	-	-	-
Miscellaneous	-	-	122	-
Total additions	245,821	86,483	213,731	4,834,229
Deductions:				
Agency remittances:				
To other funds	101,525	-	-	-
To other governments	91,497	80,192	142,869	4,449,861
Trusts paid out	52,724	-	-	-
Total deductions	245,746	80,192	142,869	4,449,861
Balances end of year	$ 16,689	83,818	665,956	4,682,705

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	CROSS Mental Health Region	Other	Total
225,185	1,454,241	152,784	164,196	392,165	1,525,456	8,901,599
237,836	1,435,004	148,706	-	-	859,859	7,434,319
-	-	-	-	-	157,700	157,700
18,637	176,504	9,631	-	-	68,912	655,091
-	-	-	-	-	-	193,431
-	-	-	2,242,295	-	-	2,242,295
-	-	-	-	-	26,752	26,752
-	-	-	-	-	155,635	208,025
-	-	-	-	1,099,075	183,070	1,282,267
256,473	1,611,508	158,337	2,242,295	1,099,075	1,451,928	12,199,880
-	-	-	81,858	-	-	183,383
233,558	1,527,150	158,260	2,146,609	1,030,175	1,039,422	10,899,593
-	-	-	-	-	120,101	172,825
233,558	1,527,150	158,260	2,228,467	1,030,175	1,159,523	11,255,801
248,100	1,538,599	152,861	178,024	461,065	1,817,861	9,845,678

Decatur County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	$ 3,959,515	3,398,996	3,146,074	2,615,642
Local option sales tax	264,864	254,192	259,671	239,178
Interest and penalty on property tax	48,565	60,132	43,451	40,081
Intergovernmental	3,890,094	4,065,717	4,033,984	4,866,093
Licenses and permits	1,237	8,388	10,940	9,608
Charges for service	327,897	279,736	317,605	273,043
Use of money and property	16,553	14,356	12,741	6,391
Miscellaneous	246,131	181,861	456,922	460,347
Total	$ 8,754,856	8,263,378	8,281,388	8,510,383
Expenditures:				
Operating:				
Public safety and legal services	$ 1,552,770	1,426,866	1,497,151	1,182,362
Physical health and social services	645,502	667,947	787,947	1,119,244
Mental health	340,786	380,675	375,032	594,443
County environment and education	529,676	539,623	427,227	472,359
Roads and transportation	3,181,035	3,559,580	3,859,734	3,244,012
Governmental services to residents	320,789	299,690	286,920	278,788
Administration	768,953	803,136	910,829	719,107
Non-program	-	-	-	-
Debt service	326,595	330,996	318,734	853,071
Capital projects	54,079	124,867	1,222,469	2,445,525
Total	$ 7,720,185	8,133,380	9,686,043	10,908,911

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
2,326,729	2,341,345	2,641,230	2,385,586	2,330,691	2,147,097
207,420	223,325	233,863	196,528	207,294	194,886
34,206	33,658	38,698	35,276	35,905	35,961
4,356,943	4,097,394	4,734,628	4,663,097	4,526,232	4,524,871
9,185	8,287	7,041	7,462	6,997	4,552
274,291	275,618	276,759	298,864	261,623	260,759
5,297	15,265	16,315	19,206	27,248	32,866
184,144	133,253	260,834	237,043	276,605	196,132
7,398,215	7,128,145	8,209,368	7,843,062	7,672,595	7,397,124
1,119,870	999,256	994,986	928,288	911,014	889,564
1,218,807	1,209,667	1,296,932	1,243,715	1,175,459	1,219,969
578,325	491,385	1,335,574	1,132,926	993,984	1,096,615
411,689	364,291	385,260	348,532	364,380	
3,488,258	3,062,269	2,714,101	2,990,872	2,988,154	2,934,283
281,652	263,161	251,194	271,421	256,647	255,150
928,488	624,649	520,688	591,093	628,799	594,887
-	-	-	-	-	7,542
6,125	506,455	250	-	-	-
640,321	128,084	223,949	129,701	219,324	27,697
8,673,535	7,649,217	7,722,934	7,636,548	7,537,761	7,025,707

Decatur County

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

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

To the Officials of Decatur County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 19, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Decatur County's Responses to the Findings

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

Purpose of this Report

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

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

Rob Sand

ROB SAND
Auditor of State

February 19, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

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

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

Responses

Treasurer – We will begin keeping lists of checks from the mail and see if another office is willing to help. We will begin initialing all things to show that others are reviewing as well.

Recorder – We will segregate duties to the best of our ability.

Sheriff – With our small department we don't have enough employees to have proper segregation of duties.

Secondary Roads – We will have the office manager prepare a list of in-house receipts to be checked against listings on the monthly receipts register from the County financial system.

Conservation – The Conservation Board will take appropriate actions to resolve this.

Public Health – We will continue to do our best to segregate duties as best as possible.

Conclusion

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

Treasurer, Secondary Roads and Conservation – Responses accepted.

(B) Financial Reporting

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

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

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

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

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

Response – The County will work to establish procedures to ensure all receivables, payables, and capital assets are identified and properly reported.

Conclusion – Response accepted.

(C) Maintenance of Financial Records

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

Condition – During the year ended June 30, 2018, significant variances existed between the bank balance and the general ledger (book balance). At June 30, 2018, the bank balance exceeded the book balance by $7,223.

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

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

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

Response – This is a continued effort and I feel headway is being made. We will continue to work hard at entering transactions correctly and ensuring the County financial records are balanced.

Conclusion – Response accepted.

(D) Delinquent Property Tax Reconciliations

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

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

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

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

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

Response – I hope to continue to learn more about procedures and reports required to ensure a delinquent property tax reconciliation is prepared, reviewed and differences are investigated and resolved in a timely manner.

Conclusion – Response accepted.

(E) Conservation Receipts

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establish polices regarding initial transaction recording.

Condition – Receipts for the conservation were only generated for credit card purchases.

Cause – Policies and procedures have not been implemented to require prenumbered receipts for all collections.

Effect – Inadequate initial receipt recordings can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Prenumbered receipts should be issued for all collections.

Response – We will take steps to ensure receipts are issued for all collections.

Conclusion – Response accepted.

(F) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – Timesheets prepared by employees in multiple departments had no evidence of approval by the department head or the Board of Supervisors for two time periods reviewed.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel.

Effect – The lack of a documented supervisory review process increases the probability of staff errors in recording hours or leave will going undetected.

Recommendation – Timesheets should be signed by the employee and supervisor prior to submission. The timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – Efforts will continue to be made to ensure all timesheets are signed by the employee and are reviewed and approved by the appropriate department supervisors.

Conclusion – Response accepted.

(G) Accounting Procedures Manuals

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

(1) Aid in training additional or replacement staff.

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

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

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

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

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

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

Response – We continue to use online manuals provided by the software vendor, but agree a manual specific to this office and our procedures would benefit all, especially new employees. I hope to make this a priority for this office.

Conclusion – Response accepted.

(H) Computer System

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

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

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

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

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

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

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

Conclusion – Response accepted.

(I) Employee Evaluations

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

Condition – Annual employee performance evaluations are not performed.

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

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to the budget amended.

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

Response – One department (DHS) exceeded the appropriated amount this fiscal year, and it was by less than $300. We will continue to monitor expenses of each department in relation to their appropriations amount. Any increase or decrease in appropriations will be approved in advance as required by Chapter 331.343(6) of the Code of Iowa and recorded in the minutes of the Board of Supervisors.

Conclusion – Response accepted.

(2) Questionable Expenditures – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Casey's General Store	Food for office	$ 15
Dollar General Store	Food for office	7
From the Ground	Food for deputies and inmates	206
Hour Place	Food for deputies and inmates	62
The Cave	Food for deputies and inmates	39

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – The Board of Supervisors approved all purchases. We will better document reasoning on receipts in the future.

Conclusion – Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Justin Cornett, County Assessor, Brother owns Carquest of Lamoni	Auto repair and supplies	$ 4,039
Jared Jackson, Secondary Roads Employee, Father owns Bob Jackson Trucking	Rock hauling for Conservation Department	2,311
Tom Thomas, Father of the Assistant Engineer, Noah Thomas	Assistance with project inspections	1,000
Richard Erke, Conservation Director, Son owns Midwest Land Restoration, LLC	Weed spraying	526
Justin Cornett, County Assessor, Father owns I-35 Auto & Truck	Vehicle repairs and maintenance	508
Gale Norman, County Recorder, Wife works at Decatur Title Services	Abstracting	206

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

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Bob Jackson Trucking do not appear to represent a conflict of interest since the Secondary Roads Employee's remuneration of employment was not directly affected as a result of the contract and the duties of employment did not directly involve the procurement or preparation of any part of the contract.

The remaining transactions do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since total transactions with each individual did not exceed $1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – The County will consult legal counsel to determine the disposition of these matters.

Conclusion – Response accepted.

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

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

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

Disbursements during the year ended June 30, 2018 for the County Extension Office did not exceed the amount budgeted.

(10) 911 Service Board Budget – The 911 Service Board budget was not adopted by March 15 as required by Chapter 24.17 of the Code of Iowa.

Recommendation – The 911 Service Board budget should be adopted by March 15 in accordance with Chapter 24.17 of the Code of Iowa.

Response – We will attempt to have the budget adopted in a timely fashion.

Conclusion – Response accepted.

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Katherine L. Rupp, CPA, Manager
Premnarayan Gobin, Senior Auditor
Mark D. Newhall, Senior Auditor
Nicholas J. Gassman, Staff Auditor
Andrew J. Salwolke, Staff Auditor
Jon G. Hanson, Assistant Auditor
Adrian Duer, Auditor Intern

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State