



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

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NEWS RELEASE

FOR RELEASE

March 21, 2019

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

The County had local tax revenue of \$10,557,021 for the year ended June 30, 2018, which included \$728,851 in tax credits from the state. The County forwarded \$6,914,451 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,642,570 of the local tax revenue to finance County operations, an 11.9% increase over the prior year. Other revenues included charges for service of \$910,598, operating grants, contributions and restricted interest of \$2,639,930, capital grants, contributions and restricted interest of \$2,540,915, tax increment financing of \$354,709, local option sales tax of \$216,810, commercial and industrial replacement tax of \$71,697, unrestricted investment earnings of \$30,972, gain on disposition of capital assets of \$1,098,103 and other general revenues of \$62,281.

Expenses for County operations for the year ended June 30, 2018 totaled \$7,997,105, a 6.2% increase over the prior year. Expenses included \$4,080,188 for roads and transportation, \$1,515,619 for public safety and legal services and \$1,009,400 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/>.

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ADAMS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2018

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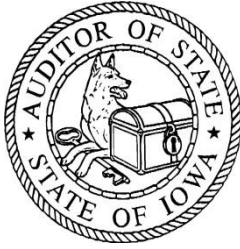
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Adams County

Officials

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

Adams County



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Independent Auditor's Report

To the Officials of Adams County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 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 Adams 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, Adams 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 of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 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 March 5, 2019 on our consideration of Adams County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adams County's internal control over financial reporting and compliance.



ROB SAND
Auditor of State

March 5, 2019

Adams County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adams County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$69,000 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 was not restated because the information needed to restate the amount was not available.
- Adams County's governmental activities' revenues increased 0.74%, or approximately \$85,000, from fiscal year 2017 to fiscal year 2018. Property tax, including tax increment financing, increased approximately \$349,000, operating grants, contributions and restricted interest decreased approximately \$228,000 and capital grants, contributions and restricted interest decreased approximately \$1,200,000.
- Program expenses of the County's governmental activities were approximately \$468,000, or 6.21%, more in fiscal year 2018 than in fiscal year 2017. County environment and education expenses decreased approximately \$96,000, government services to residents expenses increased approximately \$38,000, public safety and legal service expenses increased approximately \$243,000, administration expenses increased approximately \$19,000 and roads and transportation expenses increased approximately \$207,000.
- The County's net position at June 30, 2018 increased 23.4%, or approximately \$3,594,000, 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 Adams County as a whole and present an overall view of the County's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of 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, 3) the Debt Service Fund and the 4) Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

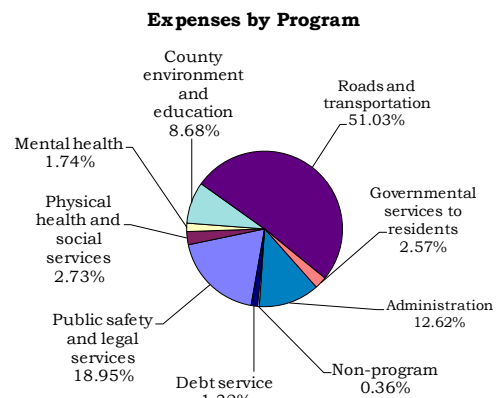
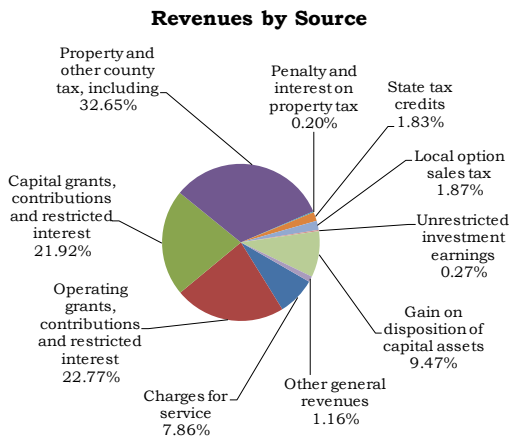
As noted earlier, net position may serve over time as a useful indicator of financial position. Adams County's net position at the end of fiscal year 2018 totaled approximately \$18.9 million. This compares to the fiscal year 2017 balance of \$15.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 8,383,468	7,857,005
Capital assets	20,360,492	17,509,936
Total assets	<u>28,743,960</u>	<u>25,366,941</u>
Deferred outflows of resources	663,221	594,246
Long-term liabilities	5,978,952	6,493,388
Other liabilities	437,001	142,877
Total liabilities	<u>6,415,953</u>	<u>6,636,265</u>
Deferred inflows of resources	4,060,394	3,919,481
Net position:		
Invested in capital assets	18,049,492	14,924,936
Restricted	2,873,017	2,751,052
Unrestricted	<u>(1,991,675)</u>	<u>(2,270,547)</u>
Total net position	<u>\$ 18,930,834</u>	<u>15,405,441</u>

Prior to restatement, net position of Adams County's governmental activities increased 22.9% (approximately \$18.9 million compared to approximately \$15.4 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Invested in capital assets increased approximately \$3.1 million due primarily to an increase in secondary roads farm-to-market infrastructure projects. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$2.3 million at June 30, 2017 to a deficit of approximately \$2 million at the end of this year. The deficit of approximately \$2.0 million is due primarily to urban renewal tax increment revenue bonds of approximately \$1.1 million and local option sales tax revenue bonds of \$260,000, both issued for a non-capitalizable purpose.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2017	2018 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 910,598	832,863
Operating grants, contributions and restricted interest	2,639,930	2,868,258
Capital grants, contributions and restricted interest	2,540,915	3,740,811
General revenues:		
Property and other county tax, including tax increment financing	3,784,726	3,435,622
Penalty and interest on property tax	22,913	17,967
State tax credits	212,553	193,713
Local option sales tax	216,810	248,985
Unrestricted investment earnings	30,972	19,628
Gain on disposition of capital assets	1,098,103	41,183
Other general revenues	133,978	107,378
Total revenues	11,591,498	11,506,408
Program expenses:		
Public safety and legal services	1,515,619	1,272,201
Physical health and social services	218,558	149,809
Mental health	139,315	121,762
County environment and education	694,416	790,577
Roads and transportation	4,080,188	3,872,690
Governmental services to residents	205,722	168,020
Administration	1,009,400	990,583
Non-program	28,670	39,130
Debt service	105,217	124,684
Total expenses	7,997,105	7,529,456
Change in net position	3,594,393	3,976,952
Net position beginning of year, as restated	15,336,441	11,428,489
Net position end of year	\$ 18,930,834	15,405,441



Adams County increased property tax rates \$0.58016 per \$1,000 of taxable valuation for the countywide levy and property tax rates per \$1,000 of taxable valuation for the rural services levy remained the same. The fiscal year 2018 Adams County taxable property valuation increased \$16,742,444. Adams County's general basic tax levy for fiscal year 2018 was \$3.5 per \$1,000 of taxable valuation. The net effect of these changes increased the County's property and other county tax revenue by approximately \$349,000 in fiscal year 2018.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of approximately \$4.03 million, an increase of \$54,412 over last year's total of approximately \$4.0 million. The increase in the combined fund balance is due primarily to increases in the Capital Projects Fund. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$420,560. The General Fund ending balance increased \$23,343, or 1.9%, over the prior year to \$1,282,779. General Fund expenditures increased by \$222,304.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year ended June 30, 2018, expenditures totaled \$153,311, an increase of 20.2% over the prior year. The increase is due to an increase in the distribution to the fiscal agent. Revenues increased \$854. The Special Revenue, Mental Health Fund balance at year end increased \$2,355 over the prior year to a balance of \$29,642.
- Rural Services Fund revenues increased by \$67,028. The Rural Services Fund ending balance increased \$10,554, or 7.5%, over the prior year to \$151,018. Rural Services Fund expenditures increased by \$21,782.
- Special Revenue, Secondary Roads Fund revenues decreased \$73,246 from the prior year, primarily as a result of a decrease in grant revenue from the Iowa Department of Transportation. Secondary Roads Fund expenditures increased 1.7% to \$3,596,917, primarily due to the County spending more on bridge repairs. These changes resulted in a decrease of \$88,186 in the ending balance from June 30, 2017 to \$1,329,780 at June 30, 2018.
- Special Revenue, Local Option Sales Tax Fund expenditures decreased \$10,844 from the prior year and revenues decreased \$181,077 from the prior year due to no longer receiving contributions from the City of Corning for their portion of the outstanding local option sales tax revenue bonds which was paid in full during fiscal year 2017.
- Special Revenue, Urban Renewal Fund revenues decreased \$18,227 from the prior year. Expenditures in the Urban Renewal remained relatively the same as fiscal year 2017. This change resulted in an increase of \$31,615 in the Urban Renewal Fund ending balance from June 30, 2017 to \$114,783 at June 30, 2018.
- The Capital Projects Fund ended fiscal year 2018 with a fund balance of approximately \$413,000, an increase of \$104,980. The increase in fund balance was due to proceeds from the sale of the County farm and County care facility property.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget one time. The amendment was made in May 2018, and included increased budgeted disbursements of \$62,255, \$15,175 and \$975,854 in the public safety and legal services, county environment and education, and capital projects functions, respectively. The increases were necessary to prevent various departments from over spending budgeted amounts due to unanticipated disbursements.

The County's actual receipts were \$162,533 more than budgeted, a variance of 2.07%. The variance resulted from the County receiving more intergovernmental receipts than anticipated due to various grants.

Total disbursements were \$716,567 less than budgeted. Actual disbursements for roads and transportation and capital projects were under budget by \$208,253 and \$304,683 respectively. The variance in in the roads and transportation function was due to fewer road disbursements than anticipated. The variance in the capital projects function was due to fewer capital project disbursements than anticipated after the budget amendment.

Even with the budget amendment, at June 30, 2018 disbursements in the debt service function exceeded the amount budgeted and during the fiscal year, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Adams County had approximately \$20.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,850,556, or 14.0%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2018	2017
Land	\$ 50,166	50,166
Intangibles, road network	215,100	215,100
Construction in progress	3,465,852	620,440
Buildings and improvements	2,730,405	2,372,533
Equipment and vehicles	1,870,523	1,631,560
Infrastructure, road network	12,028,446	12,620,137
Total	<u>\$ 20,360,492</u>	<u>17,509,936</u>
This year's major additions included:		
Capital assets contributed by the		
Iowa Department of Transportation	\$ 2,522,181	
Conservation family cottages	342,754	
Secondary roads vehicles	493,839	
Secondary roads buildings	500,000	
Total	<u>\$ 3,858,774</u>	

The County had depreciation expense of \$1,122,131 in fiscal year 2018 and total accumulated depreciation of \$8,184,746 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Adams County had \$3,709,892 of revenue bonds and capital loan notes outstanding, compared to \$4,375,443 at June 30, 2017.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2018	2017
Revenue bonds	\$ 1,386,088	1,790,443
General obligation capital loan notes	2,320,000	2,585,000
Installment purchase agreement	3,804	-
Total	<u>\$ 3,709,892</u>	<u>4,375,443</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's constitutional debt limit is approximately \$32 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Adams County's employment (number of persons working) has decreased 2.8% over the past 5 years. However, unemployment in the County decreased from 2.2% in 2017 to 1.8% in 2018. This compares with the State's unemployment rate of 2.5% and the national rate of 4.2%.

These indicators were taken into account when adopting the budget for fiscal year 2019. Budgeted disbursements in the fiscal year 2019 operating budget are \$8,492,214 a decrease of 10.8% from the final fiscal year 2018 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease from the re-estimated fiscal year 2018 ending fund balance of \$3,175,666 to \$2,309,564 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 Adams County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Adams County Auditor's Office, 500 9th Street, Corning, Iowa 50841.

Adams County

Basic Financial Statements

Adams County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 4,036,714
Receivables:	
Property tax:	
Delinquent	3,560
Succeeding year	3,918,000
Accounts	30,452
Due from other governments	236,224
Inventories	158,518
Capital assets, net of accumulated depreciation	20,360,492
Total assets	28,743,960
Deferred Outflows of Resources	
Pension related deferred outflows	663,221
Liabilities	
Accounts payable	372,853
Accrued interest payable	7,543
Salaries and benefits payable	55,787
Due to other governments	818
Long-term liabilities:	
Portion due or payable within one year:	
Installment purchase agreements	3,804
Revenue bonds	413,274
General obligation capital loan notes	270,000
Compensated absences	55,706
Portion due or payable after one year:	
Revenue bonds	972,814
General obligation capital loan notes	2,050,000
Compensated absences	202,611
Net pension liability	1,687,743
Total OPEB liability	323,000
Total liabilities	6,415,953
Deferred Inflows of Resources	
Unavailable property tax revenue	3,918,000
Pension related deferred inflows	142,394
Total deferred inflows of resources	4,060,394
Net Position	
Net investment in capital assets	18,049,492
Restricted for:	
Supplemental levy purposes	533,600
Rural services purposes	160,921
Secondary roads purposes	1,084,322
Conservation land acquisition	95,112
Other purposes	999,062
Unrestricted	(1,991,675)
Total net position	\$ 18,930,834

See notes to financial statements.

Adams County

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,515,619	400,040	1,700	-	(1,113,879)
Physical health and social services	218,558	13,828	20,287	9,575	(174,868)
Mental health	139,315	-	-	-	(139,315)
County environment and education	694,416	355,010	16,182	-	(323,224)
Roads and transportation	4,080,188	20,904	2,601,274	2,531,340	1,073,330
Governmental services to residents	205,722	85,103	-	-	(120,619)
Administration	1,009,400	8,242	487	-	(1,000,671)
Non-program	28,670	27,471	-	-	(1,199)
Interest on long-term debt	105,217	-	-	-	(105,217)
Total	\$ 7,997,105	910,598	2,639,930	2,540,915	(1,905,662)
General Revenues:					
Property and other county tax levied for general purposes					3,430,017
Tax increment financing					354,709
Penalty and interest on property tax					22,913
State tax credits					212,553
Local option sales tax					216,810
Commercial and industrial replacement tax					71,697
Unrestricted investment earnings					30,972
Gain on disposition of capital assets					1,098,103
Miscellaneous					62,281
Total general revenues					5,500,055
Change in net position					3,594,393
Net position beginning of year, as restated					15,336,441
Net position end of year					\$ 18,930,834

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

Year ended June 30, 2018

	Special			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,293,620	29,634	154,121	1,296,736
Receivables:				
Property tax:				
Delinquent	3,405	46	14	-
Succeeding year	2,119,000	141,000	972,000	-
Accounts	27,948	-	-	2,504
Due from other governments	27,115	-	7,028	185,243
Inventories	-	-	-	158,518
Total assets	\$ 3,471,088	170,680	1,133,163	1,643,001
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,947	-	2,212	295,743
Salaries and benefits payable	37,407	-	902	17,478
Due to other governments	818	-	-	-
Total liabilities	66,172	-	3,114	313,221
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,119,000	141,000	972,000	-
Other	3,137	38	7,031	-
Total deferred inflows of resources	2,122,137	141,038	979,031	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	158,518
Restricted for:				
Supplemental levy purposes	546,139	-	-	-
Mental health purposes	-	29,642	-	-
Rural services purposes	-	-	151,018	-
Secondary roads purposes	-	-	-	1,171,262
Local option sales tax	-	-	-	-
Debt service	-	-	-	-
Conservation land acquisition	95,112	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	-	-	-
Unassigned	641,528	-	-	-
Total fund balances	1,282,779	29,642	151,018	1,329,780
Total liabilities, deferred inflows of resources and fund balances	\$ 3,471,088	170,680	1,133,163	1,643,001

See notes to financial statements.

<u>Revenue</u>				
<u>Local Option</u>	<u>Urban</u>	<u>Capital</u>		
<u>Sales Tax</u>	<u>Renewal</u>	<u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
543,951	114,783	459,785	144,084	4,036,714
-	-	-	95	3,560
-	389,000	-	297,000	3,918,000
-	-	-	-	30,452
16,838	-	-	-	236,224
-	-	-	-	158,518
<u>560,789</u>	<u>503,783</u>	<u>459,785</u>	<u>441,179</u>	<u>8,383,468</u>
-	-	46,951	-	372,853
-	-	-	-	55,787
-	-	-	-	818
-	-	46,951	-	429,458
-	389,000	-	297,000	3,918,000
-	-	-	77	10,283
-	389,000	-	297,077	3,928,283
-	-	-	-	158,518
-	-	-	-	546,139
-	-	-	-	29,642
-	-	-	-	151,018
-	-	-	-	1,171,262
560,789	-	-	-	560,789
-	114,783	-	113,045	227,828
-	-	-	-	95,112
-	-	412,834	-	412,834
-	-	-	31,057	31,057
-	-	-	-	641,528
<u>560,789</u>	<u>114,783</u>	<u>412,834</u>	<u>144,102</u>	<u>4,025,727</u>
<u>560,789</u>	<u>503,783</u>	<u>459,785</u>	<u>441,179</u>	<u>8,383,468</u>

Adams County

Adams County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 4,025,727

***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 \$28,545,238 and the accumulated depreciation is \$8,184,746. 20,360,492

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. 10,283

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 663,221	
Deferred inflows of resources	<u>(142,394)</u>	520,827

Long-term liabilities, including the installment purchase agreement, revenue bonds, general obligation capital loan notes, compensated absences, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,986,495)

Net position of governmental activities (page 18) \$ 18,930,834

See notes to financial statements.

Adams County

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

Year ended June 30, 2018

	Special			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,043,218	144,961	940,252	-
Interest and penalty on property tax	22,557	-	-	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	553,243	10,705	64,254	2,610,433
Licenses and permits	1,830	-	3,800	1,915
Charges for service	493,146	-	3,000	50
Use of money and property	43,045	-	-	1,210
Miscellaneous	50,869	-	-	26,801
Total revenues	3,207,908	155,666	1,011,306	2,640,409
Expenditures:				
Operating:				
Public safety and legal services	1,367,836	-	20,000	-
Physical health and social services	178,377	-	33,970	-
Mental health	-	153,311	-	-
County environment and education	520,841	-	87,030	-
Roads and transportation	-	-	-	3,596,917
Governmental services to residents	339,764	-	1,930	-
Administration	737,939	-	-	-
Non-program	28,670	-	-	-
Debt service	-	-	-	-
Capital projects	22,999	-	-	-
Total expenditures	3,196,426	153,311	142,930	3,596,917
Excess (deficiency) of revenues over (under) expenditures	11,482	2,355	868,376	(956,508)
Other financing sources (uses):				
Installment purchase agreement	12,804	-	-	-
Transfers in	-	-	-	857,822
Transfers out	(943)	-	(857,822)	-
Sale of capital assets	-	-	-	10,500
Total other financing sources (uses)	11,861	-	(857,822)	868,322
Change in fund balances	23,343	2,355	10,554	(88,186)
Fund balances beginning of year	1,259,436	27,287	140,464	1,417,966
Fund balances end of year	\$ 1,282,779	29,642	151,018	1,329,780

See notes to financial statements.

Revenue				
Local Option Sales Tax	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	301,490	3,429,921
-	-	-	-	22,557
-	354,709	-	-	354,709
216,810	-	-	-	216,810
-	42,510	-	31,133	3,312,278
-	-	-	-	7,545
-	-	-	999	497,195
-	702	-	92	45,049
-	-	-	-	77,670
216,810	397,921	-	333,714	7,963,734
11,155	-	-	10,000	1,408,991
-	-	-	-	212,347
-	-	-	-	153,311
100,000	-	-	-	707,871
-	-	-	-	3,596,917
-	-	-	90,505	432,199
50,000	-	-	-	787,939
-	-	-	-	28,670
500	366,306	-	319,556	686,362
-	-	900,623	-	923,622
161,655	366,306	900,623	420,061	8,938,229
55,155	31,615	(900,623)	(86,347)	(974,495)
-	-	-	-	12,804
-	-	-	90,598	948,420
(89,655)	-	-	-	(948,420)
-	-	1,005,603	-	1,016,103
(89,655)	-	1,005,603	90,598	1,028,907
(34,500)	31,615	104,980	4,251	54,412
595,289	83,168	307,854	139,851	3,971,315
560,789	114,783	412,834	144,102	4,025,727

Adams County

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

Year ended June 30, 2018

Change in fund balances - Total governmental funds (page 25) \$ 54,412

**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	\$ 1,368,506	
Capital assets contributed by the Iowa Department of Transportation	2,522,181	
Depreciation expense	<u>(1,122,131)</u>	2,768,556

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 82,000

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	96	
Other	<u>7,386</u>	7,482

Proceeds from issuing long-term liabilities provide current financial resources to government 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	(12,804)	
Repaid	<u>678,355</u>	665,551

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 222,552

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	20,134	
Pension expense	(242,739)	
OPEB expense	15,000	
Interest on long-term debt	<u>1,445</u>	<u>(206,160)</u>

Change in net position of governmental activities (page 19) \$ 3,594,393

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash and pooled investments:	
County Treasurer	\$ 519,446
Other County officials	7,459
Receivables:	
Property tax:	
Delinquent	2,497
Succeeding year	6,387,000
Accounts	118
Special assessments	3,542
Total assets	6,920,062

Liabilities

Accounts payable	12,845
Salaries and benefits payable	3,331
Due to other governments	6,884,489
Trusts payable	7,084
Compensated absences	12,313
Total liabilities	6,920,062

Net position	\$ -
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See notes to financial statements.

Adams County

Adams County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

The County also participates in the following jointly governed organizations: Creston Cluster Decat Program, Adams and Taylor Counties Regional Service Agency, Southern Hills Regional Mental Health Region, South Iowa Area Detention Service Agency and Adams, Taylor and Union County Medicaid Case Management Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund 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 except for non-negotiable certificates of deposit which are stated at amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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 1½ % 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.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50%, not to exceed 360 hours, upon retirement or death. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund, the Special Revenue, Secondary Roads Fund and the Special Revenue, Mental Health Fund.

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Adams 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 applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 and tax increment financing receivables that will not be recognized until the year for which they are 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.

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 at June 30, 2018 exceeded the amount budgeted in the debt service function and during the fiscal year, disbursements exceeded the amount budgeted in the capital project function prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

(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) 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	\$ 857,822
Aquatic Center Sinking	Local Option Sales Tax	89,655
Special Revenue:		
Law Enforcement Forfeiture	General	943
Total		<u>\$ 948,420</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 50,166	-	-	50,166
Construction in progress, road network	620,440	2,636,099	133,441	3,123,098
Intangibles, road network	215,100	-	-	215,100
Construction in progress	-	342,754	-	342,754
Total capital assets not being depreciated/amortized	885,706	2,978,853	133,441	3,731,118
Capital assets being depreciated:				
Buildings	3,467,419	500,000	-	3,967,419
Improvements to building	730,661	-	-	730,661
Equipment and vehicles	4,053,428	493,834	264,651	4,282,611
Infrastructure, road network	14,142,952	133,441	-	14,276,393
Infrastructure, other	1,557,036	-	-	1,557,036
Total capital assets being depreciated	23,951,496	1,127,275	264,651	24,814,120
Less accumulated depreciation for:				
Buildings	1,776,836	93,417	-	1,870,253
Improvements other than buildings	48,711	48,711	-	97,422
Equipment and vehicles	2,421,868	254,871	264,651	2,412,088
Infrastructure, road network	2,952,982	621,330	-	3,574,312
Infrastructure, other	126,869	103,802	-	230,671
Total accumulated depreciation	7,327,266	1,122,131	264,651	8,184,746
Total capital assets being depreciated, net	16,624,230	5,144	-	16,629,374
Governmental activities capital assets, net	\$ 17,509,936	2,983,997	133,441	20,360,492

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 77,136
Physical health and social services	5,972
County environment and education	244,032
Roads and transportation	787,788
Administration	7,203
Total depreciation/amortization expense - governmental activities	<u>\$ 1,122,131</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General		<u>\$ 818</u>
Agency:		
Agricultural Extension Education	Collections	\$ 99,210
County Assessor		376,369
Schools		4,940,150
Community Colleges		295,111
Corporations		713,854
Townships		179,747
Auto License and Use Tax		127,857
All other		<u>155,522</u>
Total for agency funds		<u>\$ 6,887,820</u>

(6) Long-Term Liabilities

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

	Installment Purchase Agreement	Urban Renewal Tax Increment Revenue Bonds	Local Option Sales Tax Revenue Bonds	General Obligation Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ -	1,455,443	335,000	2,585,000	278,451	1,570,497	338,000	6,562,391
Increases	12,804	-	-	-	313,911	117,246	(15,000)	428,961
Decreases	9,000	329,355	75,000	265,000	334,045	-	-	1,012,400
Balance end of year	<u>\$ 3,804</u>	<u>1,126,088</u>	<u>260,000</u>	<u>2,320,000</u>	<u>258,317</u>	<u>1,687,743</u>	<u>323,000</u>	<u>5,978,952</u>
Due within one year	\$ 3,804	338,274	75,000	270,000	55,706	-	-	742,784

Installment Purchase Agreement

On June 25, 2018, the County entered into a no interest installment purchase contract to purchase voting equipment. During fiscal year 2018, the County paid \$9,000. The remaining \$3,804 will be paid in fiscal year 2019.

Urban Renewal Tax Increment Revenue Bonds

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

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

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

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

Details of the County’s June 30, 2018 urban renewal tax increment revenue bond indebtedness are as follows:

Year Ending June 30,	Series 2006			Series 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.9%	\$ 198,246	18,290	2.9%	\$ 140,028	9,742	338,274	28,032	366,306
2020	2.9	203,615	12,921	2.9	143,820	5,950	347,435	18,871	366,306
2021	2.9	209,129	7,407	2.9	113,091	2,055	322,220	9,462	331,682
2022	2.9	118,159	1,744	2.9	-	-	118,159	1,744	119,903
Total		<u>\$ 729,149</u>	<u>40,362</u>		<u>\$ 396,939</u>	<u>17,747</u>	<u>1,126,088</u>	<u>58,109</u>	<u>1,184,197</u>

The urban renewal tax increment revenue bonds were issued for the purpose of paying costs of an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of the bonds. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the County’s urban renewal area. The total principal and interest remaining on the bonds is \$1,184,197, payable through fiscal year 2022. For the current year, principal and interest paid and tax increment revenues were \$366,306 and \$354,709, respectively. The bonds are not a general obligation of the County, but the debt is subject to the constitutional debt limitation of the County. The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will only be redeemed from the urban renewal tax increment revenue received by the County. The County accounts for this activity within the Special Revenue, Urban Renewal Fund.
- (b) The first \$1,500,000 of bond proceeds shall be used to fully fund the water grant for the City of Corning. The next \$520,000 of bond proceeds shall be used by the County to pay the costs of highway improvements.

Next, sufficient bond proceeds shall be set aside to pay the costs of issuance of the bonds and to make provision for the payment of interest on the bonds through December 1, 2009. Finally, any remaining bond proceeds shall be used to fund an initial installment of the Pinnacle Ethanol, LLC grant.

During the year ended June 30, 2018, the County was in compliance with the revenue bond provisions.

Local Option Sales Tax Revenue Bonds

The County issued local option sales tax revenue bonds for a joint project with the City of Corning under a 28E agreement. The County has pledged future local option sales tax revenues to repay \$1,025,000 of local option sales tax revenue bonds, Series 2008 issued in July 2008. Proceeds from the bonds provided financing for an Aquatic Center in Corning to be operated by the City of Corning under a 28E Joint Operation Agreement. The bonds are payable solely from the proceeds of the local option sales tax received by the County and \$25,220 per year to be received from the City of Corning in accordance with the 28E Joint Operation Agreement and Chapters 423B.9(3) and 384.83 of the Code of Iowa. In October 2016, the City of Corning paid in advance, the remainder of their portion of the outstanding bonds. Total principal and interest remaining to be paid on the bonds is \$285,483. For the current year, principal and interest paid and total local option sales tax collections were \$89,655 and \$216,810, respectively.

Details of County’s June 30, 2018 local option sales tax revenue bonds is as follows:

<hr/>					
Year					
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2019	4.35%	\$ 75,000	11,468	86,468	
2020	4.35	80,000	8,205	88,205	
2021	4.45	80,000	4,685	84,685	
2022	4.45	25,000	1,125	26,125	
Total		<u>\$ 260,000</u>	<u>25,483</u>	<u>285,483</u>	

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

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

During the year ended June 30, 2018, the County was in compliance with the revenue bond provisions.

General Obligation Capital Loan Notes

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

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

Details of the County’s June 30, 2018 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	2.00%	\$ 270,000	48,755	318,755
2020	2.00	275,000	43,355	318,355
2021	2.00	280,000	37,855	317,855
2022	2.00	290,000	32,255	322,255
2023-2026	1.75-2.00	1,205,000	71,830	1,276,830
Total		\$ 2,320,000	234,050	2,554,050

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 \$222,552.

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 \$1,687,743 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 0.025337%, which was an increase of 0.000382% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$242,739. 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	\$ 23,371	25,554
Changes of assumptions	373,755	4,163
Net difference between projected and actual earnings on IPERS' investments	-	24,146
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	43,543	88,533
County contributions subsequent to the measurement date	222,552	-
Total	<u>\$ 663,221</u>	<u>142,396</u>

\$222,552 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	\$ 12,558
2020	141,166
2021	102,489
2022	14,951
2023	27,109
Total	<u>\$ 298,273</u>

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 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	<u>100.0%</u>	

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	\$ 3,124,973	1,687,743	481,525

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.

(8) 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 Adams 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	1
Active employees	<u>47</u>
Total	<u>48</u>

Total OPEB Liability – The County’s total OPEB liability of \$323,000 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

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 338,000
Changes for the year:	
Service cost	36,000
Interest	13,000
Differences between expected and actual experiences	(53,000)
Changes in assumptions	(5,000)
Benefit payments	(6,000)
Net changes	<u>(15,000)</u>
Total OPEB liability end of year	<u>\$ 323,000</u>

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	\$ 347,000	323,000	302,000

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 if it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 295,000	323,000	357,000

OPEB Expense – For the year ended June 30, 2018, the County recognized OPEB expense of \$15,000.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were \$120,167.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Industrial Development Revenue Bonds

The County has issued a total of \$1,895,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$160,000 is outstanding at June 30, 2018. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(11) Jointly Governed Organization

The County participates in the Adams, Taylor and Union County Medicaid Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2018:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 110,878
Deductions:		
Direct administration:		
Salaries	\$ 145,550	
Benefits	36,071	
Case management:		
Rent	104	
Office supplies	7,256	
Telephone	1,187	
Travel and training	3,479	
Administrative	772	
Refunds to Iowa Medicaid	9,750	
Equipment	808	
	<u>204,977</u>	
Net		(94,099)
Balance beginning of year		<u>164,339</u>
Balance end of year		<u>\$ 70,240</u>

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

Southern Hills Regional Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Adair, Adams, Taylor and Union. The financial activity of Adams County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		\$ 144,961
Intergovernmental revenues:		
State tax credits	\$ 9,322	
Other	1,383	10,705
Total revenues		<u>155,666</u>
Expenditures:		
General administration:		
Distribution to regional fiscal agent		<u>153,311</u>
Excess of revenues over expenditures		2,355
Fund balance beginning of year		<u>27,287</u>
Fund balance end of year		<u>\$ 29,642</u>

(13) Ambulance Agreement

Beginning December 1988, the County entered into an agreement with Mercy Hospital (now known as Alegent Health Mercy Hospital) of Corning, Iowa to manage the operations of the Ambulance Rescue. The County annually compensates Alegent Health Mercy Hospital a negotiated amount for these operations, which was \$40,000 for the year ended June 30, 2018. Under the agreement, the County owns the equipment necessary for the Ambulance Rescue operations. In the event the agreement is terminated, any remaining funds held by Alegent Health Mercy Hospital in the Ambulance cash account are to be returned to the County. At June 30, 2018, the balance of the account held by Alegent Health Mercy Hospital is \$380,481.

(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. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources 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:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 15,405,441
Net OPEB obligation measured under previous standards	269,000
Total OPEB liability at June 30, 2017	<u>(338,000)</u>
Net position July 1, 2017, as restated	<u>\$ 15,336,441</u>

Adams County

Required Supplementary Information

Adams County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,992,113	4,179,766	4,179,766	(187,653)
Interest and penalty on property tax	22,420	-	-	22,420
Intergovernmental	3,378,054	3,048,627	3,103,291	274,763
Licenses and permits	7,545	4,638	4,638	2,907
Charges for service	444,770	429,015	444,015	755
Use of money and property	45,049	51,639	51,639	(6,590)
Miscellaneous	107,078	17,245	51,147	55,931
Total receipts	7,997,029	7,730,930	7,834,496	162,533
Disbursements:				
Public safety and legal services	1,435,289	1,445,389	1,507,644	72,355
Physical health and social services	209,233	223,987	223,987	14,754
Mental health	153,310	153,310	153,310	-
County environment and education	707,955	722,381	737,556	29,601
Roads and transportation	3,389,747	3,598,000	3,598,000	208,253
Governmental services to residents	329,194	335,425	335,425	6,231
Administration	786,209	853,682	853,682	67,473
Non-program	28,783	42,500	42,500	13,717
Debt service	776,018	775,518	775,518	(500)
Capital projects	876,671	205,500	1,181,354	304,683
Total disbursements	8,692,409	8,355,692	9,408,976	716,567
Excess (deficiency) of receipts over (under) disbursements	(695,380)	(624,762)	(1,574,480)	879,100
Other financing sources, net	1,016,103	-	1,005,603	10,500
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	320,723	(624,762)	(568,877)	889,600
Balance beginning of year	3,715,991	3,150,347	3,150,347	565,644
Balance end of year	\$ 4,036,714	2,525,585	2,581,470	1,455,244

See accompanying independent auditor's report.

Adams 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	\$ 7,997,029	(33,295)	7,963,734
Expenditures	8,692,409	245,820	8,938,229
Net	(695,380)	(279,115)	(974,495)
Other financing sources, net	1,016,103	12,804	1,028,907
Beginning fund balances	3,715,991	255,324	3,971,315
Ending fund balances	<u>\$ 4,036,714</u>	<u>(10,987)</u>	<u>4,025,727</u>

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,053,284. The budget amendment is reflected in the final budgeted amounts.

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

At June 30, 2018, disbursements in the debt service function exceeded the amount budgeted and during the fiscal year, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

Adams County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.025337%	0.024955%	0.022458%	0.024638%
County's proportionate share of the net pension liability	\$ 1,688	1,570	1,109	977
County's covered payroll	\$ 2,349	2,227	2,096	2,152
County's proportionate share of the net pension liability as a percentage of its covered payroll	71.86%	70.50%	52.91%	45.40%
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.

Adams County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 223	215	204	193
Contributions in relation to the statutorily required contribution	<u>(223)</u>	<u>(215)</u>	<u>(204)</u>	<u>(193)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 2,442	2,349	2,227	2,096
Contributions as a percentage of covered payroll	9.13%	9.15%	9.16%	9.21%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
207	198	181	155	143	129
(207)	(198)	(181)	(155)	(143)	(129)
-	-	-	-	-	-
2,152	2,232	2,185	2,094	2,033	1,971
9.62%	8.87%	8.28%	7.40%	7.03%	6.54%

Adams County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

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.

Adams County

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

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 36,000
Interest cost	13,000
Difference between expected and actual experiences	(53,000)
Changes in assumptions	(5,000)
Benefit payments	<u>(6,000)</u>
Net change in total OPEB liability	<u>(15,000)</u>
Total OPEB liability beginning of year, as restated	<u>338,000</u>
Total OPEB liability end of year	<u>\$ 323,000</u>
Covered-employee payroll	\$ 2,035,547
Total OPEB liability as a percentage of covered-employee payroll	15.9%

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%

Adams County

Supplementary Information

Adams 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	\$ 3,780	25,242
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Total assets	\$ 3,780	25,242
Deferred Inflows of Resources and Fund Balances		
Deferred inflows of resources:		
Unavailable resources:		
Succeeding year property tax	\$ -	-
Other	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted for:		
Debt service	-	-
Other purposes	3,780	25,242
Total fund balances	3,780	25,242
Total deferred inflows of resources and fund balances	\$ 3,780	25,242

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>Aquatic Center Reserve</u>	<u>Aquatic Center Sinking</u>	<u>Debt Service</u>	<u>Total</u>
96,450	2,035	16,577	144,084
-	-	95	95
-	-	297,000	297,000
<u>96,450</u>	<u>2,035</u>	<u>313,672</u>	<u>441,179</u>
-	-	297,000	297,000
-	-	77	77
-	-	<u>297,077</u>	<u>297,077</u>
96,450	-	16,595	113,045
-	2,035		31,057
<u>96,450</u>	<u>2,035</u>	<u>16,595</u>	<u>144,102</u>
<u>96,450</u>	<u>2,035</u>	<u>313,672</u>	<u>441,179</u>

Adams County

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

Year ended June 30, 2018

	County Recorder's Records Management	Special Resource Enhancement and Protection
Revenues:		
Property tax	\$ -	-
Intergovernmental	-	8,262
Charges for service	999	-
Use of money and property	14	78
Total revenues	<u>1,013</u>	<u>8,340</u>
Expenditures:		
Operating:		
Public safety and legal services	-	-
Government services to residents	850	-
Debt service	-	-
Total expenditures	<u>850</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	163	8,340
Other financing sources:		
Transfers in	-	-
Change in fund balances	163	8,340
Fund balances beginning of year	<u>3,617</u>	<u>16,902</u>
Fund balances end of year	<u>\$ 3,780</u>	<u>25,242</u>

See accompanying independent auditor's report.

Revenue				
Law Enforcement Forfeiture	Aquatic Center Reserve	Aquatic Center Sinking	Debt Service	Total
-	-	-	301,490	301,490
-	-	-	22,871	31,133
-	-	-	-	999
-	-	-	-	92
-	-	-	324,361	333,714
10,000	-	-	-	10,000
-	-	89,655	-	90,505
-	-	-	319,556	319,556
10,000	-	89,655	319,556	420,061
(10,000)	-	(89,655)	4,805	(86,347)
943	-	89,655	-	90,598
(9,057)	-	-	4,805	4,251
9,057	96,450	2,035	11,790	139,851
-	96,450	2,035	16,595	144,102

Adams 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	\$ -	1,184	182,335	34,993
Other County officials	7,459	-	-	-
Receivables:				
Property tax:				
Delinquent	-	26	59	1,157
Succeeding year	-	98,000	218,000	4,904,000
Accounts	93	-	25	-
Special assessments	-	-	-	-
Total assets	\$ 7,552	99,210	400,419	4,940,150
Liabilities				
Accounts payable	\$ -	-	11,737	-
Salaries and benefits payable	-	-	2,415	-
Due to other governments	468	99,210	373,954	4,940,150
Trusts payable	7,084	-	-	-
Compensated absences	-	-	12,313	-
Total liabilities	\$ 7,552	99,210	400,419	4,940,150

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,032	18,679	746	127,857	151,620	519,446
-	-	-	-	-	7,459
79	1,175	1	-	-	2,497
293,000	694,000	179,000	-	1,000	6,387,000
-	-	-	-	-	118
-	-	-	-	3,542	3,542
<u>295,111</u>	<u>713,854</u>	<u>179,747</u>	<u>127,857</u>	<u>156,162</u>	<u>6,920,062</u>
-	-	-	-	1,108	12,845
-	-	-	-	916	3,331
295,111	713,854	179,747	127,857	154,138	6,884,489
-	-	-	-	-	7,084
-	-	-	-	-	12,313
<u>295,111</u>	<u>713,854</u>	<u>179,747</u>	<u>127,857</u>	<u>156,162</u>	<u>6,920,062</u>

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

Assets and Liabilities	County	Agricultural	County	
	Offices	Extension Education	Assessor	Schools
Balances beginning of year	\$ 1,802	93,939	328,961	4,754,661
Additions:				
Property and other county tax	-	99,210	221,128	4,970,291
State tax credits	-	6,883	15,221	354,080
Office fees and collections	114,145	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	24,216	-	-	-
Miscellaneous	5	-	2,556	-
Total additions	138,366	106,093	238,905	5,324,371
Deductions:				
Agency remittances:				
To other funds	33,160	-	-	-
To other governments	80,888	100,822	167,447	5,138,882
Trusts paid out	18,568	-	-	-
Total deductions	132,616	100,822	167,447	5,138,882
Balances end of year	\$ 7,552	99,210	400,419	4,940,150

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
276,201	740,779	151,063	110,600	244,536	6,702,542
297,451	625,880	183,219	-	974	6,398,153
20,411	110,355	9,275	-	73	516,298
-	-	-	-	-	114,145
-	-	-	1,475,713	-	1,475,713
-	-	-	-	17,432	17,432
-	-	-	-	42,925	67,141
-	-	-	-	194,309	196,870
317,862	736,235	192,494	1,475,713	255,713	8,785,752
-	-	-	54,847	-	88,007
298,952	763,160	163,810	1,403,609	344,087	8,461,657
-	-	-	-	-	18,568
298,952	763,160	163,810	1,458,456	344,087	8,568,232
295,111	713,854	179,747	127,857	156,162	6,920,062

Adams County

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

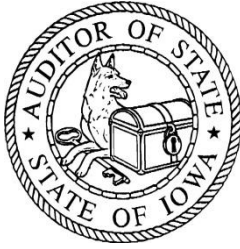
For the Last Ten Years

				Modified
	2018	2017	2016	2015
Revenues:				
Property and other county tax	\$ 3,429,921	3,062,652	2,953,017	2,476,388
Interest and penalty on property tax	22,557	19,698	18,589	17,285
Tax increment financing	354,709	373,897	334,127	373,742
Local option sales tax	216,810	248,985	274,145	233,192
Intergovernmental	3,312,278	3,491,618	3,659,400	3,202,252
Licenses and permits	7,545	5,902	20,949	7,735
Charges for service	497,195	439,308	350,192	405,596
Use of money and property	45,049	66,872	85,303	95,303
Miscellaneous	77,670	41,038	109,208	25,660
Total	\$ 7,963,734	7,749,970	7,804,930	6,837,153
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,408,991	1,254,815	1,004,340	1,005,353
Physical health and social services	212,347	144,241	230,638	233,636
Mental health	153,311	127,530	177,392	413,965
County environment and education	707,871	718,573	789,572	705,218
Roads and transportation	3,596,917	3,352,180	3,400,775	2,818,929
Governmental services to residents	432,199	539,330	297,466	274,882
Administration	787,939	818,780	746,236	672,365
Non-program	28,670	39,130	12,751	85,855
Debt service	686,362	686,062	950,595	517,029
Capital projects	923,622	578,736	2,321,276	317,837
Total	\$ 8,938,229	8,259,377	9,931,041	7,045,069

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
2,392,059	2,625,777	2,579,811	2,514,840	2,515,367	2,412,765
17,096	17,379	16,261	17,243	18,014	16,566
397,196	446,775	452,223	448,251	461,773	339,266
202,547	224,368	166,691	261,149	234,602	219,315
2,806,121	2,954,525	3,071,193	3,002,653	3,247,422	3,073,040
5,640	16,486	25,738	13,491	8,935	7,276
363,221	344,600	439,858	335,492	313,756	278,870
90,557	99,952	110,519	135,184	128,962	140,169
101,142	94,483	123,986	39,899	143,101	32,199
<u>6,375,579</u>	<u>6,824,345</u>	<u>6,986,280</u>	<u>6,768,202</u>	<u>7,071,932</u>	<u>6,519,466</u>
1,035,040	1,011,089	1,052,672	898,524	949,665	863,689
255,978	269,069	287,071	274,202	247,163	242,874
122,310	307,966	632,781	692,087	504,319	493,423
834,689	569,463	678,705	603,572	556,799	606,455
2,518,062	2,710,813	2,866,744	2,694,208	2,702,888	2,577,439
221,158	293,350	195,821	202,132	193,933	187,630
740,065	710,976	672,123	648,868	699,223	566,751
21,201	34,409	55,617	13,337	14,870	21,918
458,150	460,279	912,350	516,887	521,316	393,155
61,580	17,267	2,010	450	19,015	1,001,776
<u>6,268,233</u>	<u>6,384,681</u>	<u>7,355,894</u>	<u>6,544,267</u>	<u>6,409,191</u>	<u>6,955,110</u>

Adams County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Adams County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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

Adams County's Responses to the Findings

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

Purpose of this Report

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

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



ROB SAND
Auditor of State

March 5, 2019

Adams County

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

Effect – Inadequate segregation of duties could adversely affect the above 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.

Adams County

Schedule of Findings

Year ended June 30, 2018

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

Responses –

County Treasurer – The Treasurer’s office will continue review office procedures to improve internal controls.

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

County Sheriff – We have a small department and as the sheriff, I open the mail and then give it to the Clerk. I only have a few people on day shift to do everything that needs to be done. I review the bank statements along with going over the reconciliations, making sure the deposits and checks match. As the Sheriff, I am the one who writes the checks or, if I am going to be gone, the Chief Deputy can sign them if needed. We just do not have the personnel like a big department, but I will stay on top of these concerns to eliminate them to make sure everything is going as it should.

Conservation – Due to our small department size and lack of full time employees we are unable to segregate duties further.

Ag Extension – We will look into how to remedy the two segregation of duties.

Conclusion – County Treasurer, County Recorder, County Sheriff, Ag Extension responses accepted. Conservation – response acknowledged. The County Conservation department should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

(B) Financial Reporting

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

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

Adams County

Schedule of Findings

Year ended June 30, 2018

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

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

Recommendation – The County should implement procedures to ensure all payables and capital asset depreciation are identified and properly included in the County’s financial statements.

Response – We will continue to work toward compliance.

Conclusion – Response accepted.

(C) Capital Assets Inventory

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

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

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

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

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

Response – Since the County Auditor will no longer maintain the capital assets inventory, that position will now conduct the internal verifications.

Conclusion – Response accepted.

(D) County Sheriff

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

Adams County

Schedule of Findings

Year ended June 30, 2018

Condition – During the fiscal year, the December 2017 book to bank reconciliation did not include evidence of an independent review. In addition, an initial listing of receipts is not prepared and receipts are not deposited timely.

Cause – Procedures have not been designed and implemented to ensure reconciliations are independently reviewed or to ensure an initial listing of receipts is prepared and receipts are deposited timely.

Effect – Lack of independent review of bank reconciliations, no initial receipts listings and untimely deposits can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – An independent review of all bank reconciliations should be performed and the review should be documented by the signature or initials of the reviewer and the date of review. In addition, an initial listing of receipts should be prepared and reconciled to the bank deposit and the accounting records by an independent person and the review should be documented. Also, receipts should be deposited timely (i.e., weekly).

Response – I will make sure the Civil Clerk and I review the bank reconciliations each month and signed off to evidence our review. We will also ensure deposits are done in a timely manner.

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

(E) County Sheriff – Timesheet Approval

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and hours taken as vacation, sick leave, compensatory time, holiday hours and personal days. Supervisory review of timesheets can help ensure the accuracy of recorded hours. Proper supervisory review should include timesheet approval by each employee's immediate supervisor.

Condition – During fiscal year June 30, 2018, the timesheet for one employee tested was approved by an individual who was unfamiliar with the employee's work schedule and unable to corroborate time worked on submitted timesheets.

Cause – Procedures have not been designed and implemented to ensure an independent supervisor familiar with the employees work schedule approves timesheets.

Effect – Timesheets are not reviewed by an independent person familiar with the employee's work schedule.

Recommendation – The Sheriff's Office should develop policies and procedures to ensure timesheets are reviewed and approved by an independent person familiar with the employee's work schedule prior to submission for payroll processing.

Adams County

Schedule of Findings

Year ended June 30, 2018

Response – The work schedules are posted on a board when everybody works, so the person who signs them will know. If that person is gone, they have to put a leave sheet in to be signed by the independent person.

Conclusion – Response acknowledged. All timesheets should be approved by an independent person familiar with the employee's work schedule.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Adams County

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – At June 30, 2018, disbursements in the debt service function exceeded the amount budgeted and during the fiscal year, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

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

Response – We will continue to work toward compliance.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (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 Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

Adams County

Schedule of Findings

Year ended June 30, 2018

- (10) Revenue Bonds – No instances of non-compliance with the urban renewal tax increment and local option sales tax revenue bond provisions were noted.
- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff for the first half of the fiscal year.

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

Response – They are currently scanning both sides of the checks.

Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

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