OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE June 6, 2019

Contact: Marlys Gaston
515/281-5834

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

The County had local tax revenue of $11,606,871 for the year ended June 30, 2018, which included $929,547 in tax credits from the state. The County forwarded $7,454,591 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $4,152,280 of the local tax revenue to finance County operations, a 6.9% increase over the prior year. Other revenues included charges for service of $1,320,477, operating grants, contributions and restricted interest of $3,789,108, local option sales tax of $194,358, unrestricted investment earnings of $38,326 and other general revenues of $157,383.

Expenses for County operations for the year ended June 30, 2018 totaled $9,435,875, a 4.5% decrease from the prior year. Expenses included $4,992,402 for roads and transportation, $1,651,116 for public safety and legal services and $1,229,935 for physical health and social services.

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/.

# # #

TAYLOR COUNTY

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

JUNE 30, 2018

1810-0087-B00F

Taylor County

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Des Moines, Iowa 50319-0004

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

Rob Sand
Auditor of State

May 13, 2019

Officials of Taylor County
Bedford, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Taylor County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Taylor County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Taylor County

Officials

Name	Title	Term Expires
Doug Horton	Board of Supervisors	Jan 2019
Charles Ambrose	Board of Supervisors	Jan 2021
Jerry Murphy	Board of Supervisors	Jan 2021
Bethany Murphy	County Auditor	Jan 2021
Dana Davis	County Treasurer	Jan 2019
Rick Sheley	County Recorder	Jan 2019
Josh Weed	County Sheriff	Jan 2021
Clinton L. Spurrier	County Attorney	Jan 2019
Sharon Dalton	County Assessor	Jan 2020

Taylor County

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Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Taylor 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 Taylor 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 Taylor County as of June 30, 2018 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, Taylor 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 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor 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 May 13, 2019 on our consideration of Taylor 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 Taylor County's internal control over financial reporting and compliance.

Marlys Gaston
MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

Taylor County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taylor 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 $383,328 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Revenues of the County's governmental activities decreased 2.8%, or approximately $276,000, from fiscal year 2017 to fiscal year 2018. Charges for service decreased approximately $2,000, or less than one percent, and operating grants, contributions and restricted interest decreased approximately $120,000, or 3.1%. In addition, no capital grants, contributions and restricted interest were received in fiscal year 2018 compared to approximately $552,000 in fiscal year 2017.

- Program expenses of the County's governmental activities were 4.5%, or approximately $439,000, less in fiscal year 2018 than in fiscal year 2017. Physical health and social services expenses decreased approximately $149,000, or 10.8%, from fiscal year 2017 to fiscal year 2018. Roads and transportation expenses decreased approximately $297,000, or 5.6%.

- Net position at June 30, 2018 increased approximately $250,000, or less than one percent, compared to 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 Taylor 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 Taylor 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 Taylor 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 the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Taylor County's combined net position decreased from approximately $19.3 million to approximately $19.2 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities before restatement.

Net Position of Governmental Activities
(Expressed in Thousands)

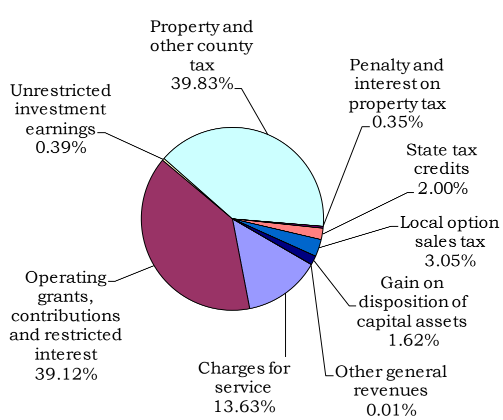
	June 30, 2018	June 30, 2017 (Not Restated)
Current and other assets	$ 9,238	8,997
Capital assets	21,649	22,333
Total assets	30,887	31,330
Deferred outflows of resources	945	752
Long-term liabilities	8,253	8,531
Other liabilities	158	313
Total liabilities	8,411	8,844
Deferred inflows of resources	4,253	3,937
Net position:		
Net investment in capital assets	16,289	16,134
Restricted	3,065	3,266
Unrestricted	(186)	(99)
Total net position	$ 19,168	19,301

Prior to restatement, the net position of Taylor County's governmental activities decreased approximately $133,000, or 0.7%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately $99,000 at June 30, 2017 to a deficit of approximately $186,000 at the end of the year.

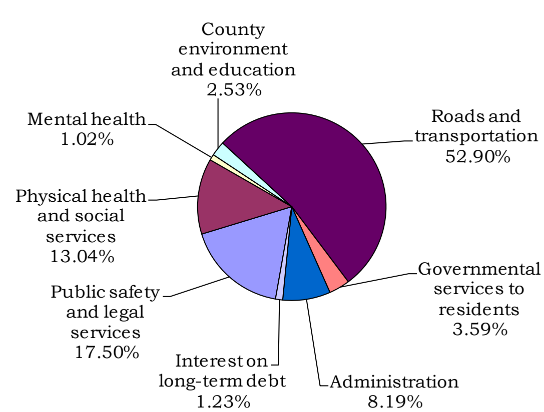
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

		Year ended June 30,	
		2018	2017 (Not Restated)
Revenues:			
Program revenues:			
Charges for service	$	1,320	1,322
Operating grants, contributions and restricted interest		3,789	3,909
Capital grants, contributions and restricted interest		-	552
General revenues:			
Property and other county tax		3,858	3,605
Penalty and interest on property tax		34	35
State tax credits		295	280
Local option sales tax		194	214
Unrestricted investment earnings		38	40
Gain on disposition of capital assets		157	-
Other general revenues		1	5
Total revenues		9,686	9,962
Program expenses:			
Public safety and legal services		1,651	1,640
Physical health and social services		1,230	1,379
Mental health		96	96
County environment and education		239	220
Roads and transportation		4,992	5,289
Governmental services to residents		339	364
Administration		773	765
Interest on long-term debt		116	122
Total expenses		9,436	9,875
Change in net position		250	87
Net position beginning of year, as restated		18,918	19,214
Net position end of year	$	19,168	19,301

Revenues by Source



Expenses by Program



The County increased property tax rates for fiscal year 2018 by 3.2% and property tax valuations increased approximately 3.5%. These factors combined to raise the County's property tax revenue approximately $253,000 in fiscal year 2018. Based on a slight decrease in the tax rate and an increase in taxable valuations, property tax revenue is budgeted to increase approximately $571,000 next year.

The cost of all governmental activities this year was approximately $9.4 million compared to approximately $9.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $4.3 million because some of the cost was paid by those directly benefited from the programs (approximately $1,544,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $3,565,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2018 from approximately $5,783,000 to approximately $5,109,000, principally due to receiving grant proceeds for two bridge projects in fiscal year 2017.

INDIVIDUAL MAJOR FUND ANALYSIS

As Taylor County completed the year, its governmental funds reported a combined fund balance of $4,884,206, an increase of $86,048 from last year's total fund balance of $4,798,158. The increase in the combined fund balance is primarily attributable to an increase in the General Fund, which was partially offset by a decrease in the Special Revenue, Rural Services and Secondary Roads Funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund property and other county tax revenue increased due to an increase in the property tax rate and property valuations. Intergovernmental revenue increased approximately $202,000 due to an increase in Medicare receipts and reimbursements from Adams County per the agreement to facilitate the provision of public health services for Adams County. General Fund expenditures increased approximately $26,000, primarily due to an increase in insurance expenditures.

- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2018, Special Revenue, Mental Health Fund expenditures remained consistent with the prior year. Revenues increased approximately $3,000 due to the receipt of an equalization payment in fiscal year 2018. The ending fund balance increased approximately $3,800 to approximately $5,300.

- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of $177,593 compared to the prior year ending balance of $210,953. Transfers out increased approximately $30,000. Revenues increased due to an increase in property tax rates and property valuations. Expenditures decreased approximately $21,000 due to a decrease in County personnel.

- The Special Revenue, Secondary Roads Fund expenditures decreased approximately $721,000, or 14.5%, primarily due to fewer payments in fiscal year 2018 for the construction of two bridges. Total revenues decreased approximately $702,000 primarily due to fewer federal reimbursements for the bridge projects. The ending fund balance in the Secondary Roads Fund decreased approximately $170,000, or 8.9%.

- The Debt Service Fund ended the fiscal year with a fund balance of approximately $42,000 compared to the prior year ending balance of approximately $35,000. There were no significant changes in revenues or expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Taylor County amended its budget two times. The amendments were made on January 4, 2018 and June 11, 2018, primarily due to fewer capital projects than anticipated.

The County's receipts were $532,443 less than budgeted. Actual intergovernmental receipts were $815,776 less than budgeted. This was primarily due to a delay in completing bridge construction project work, which will be completed in fiscal year 2019.

Total disbursements were $861,115 less than the amended budget. Actual disbursements for the roads and transportation, public safety and legal services and physical health social services functions were $298,874, $97,437 and $180,095, respectively, less than budgeted. This was primarily due to purchasing less equipment than expected, purchasing fewer sheriff vehicles than expected and less environmental health disbursements than anticipated.

With the budget amendments, the County did not exceed the budgeted amounts during the year ended June 30, 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Taylor County had approximately $21.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately $684,000, or 3.1%, from last year.

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

	June 30,	
	2018	2017
Land	$ 892	892
Construction in progress	152	30
Buildings and improvements	3,753	3,834
Equipment and vehicles	2,264	1,594
Intangibles, other	67	73
Infrastructure	14,521	15,910
Total	$ 21,649	22,333

The County had depreciation/amortization expense of $1,832,687 in fiscal year 2018 and total accumulated depreciation/amortization of $16,669,597 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, Taylor County had $5,360,000 of outstanding debt versus $6,195,000 last year, a decrease of $835,000 from June 30, 2017.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation bonds	$ 5,360	6,195

Debt decreased as a result of scheduled debt payments during fiscal year 2018.

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. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $33.1 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

Many factors were taken into account when adopting the budget for fiscal year 2019. The County had a countywide valuation increase of $39,739,025 and the rural valuation increased $29,118,571 for fiscal year 2019. The rollback totaled 55.6209% for residential property for fiscal year 2018, compared to the fiscal year 2017 rollback of 56.9391%.

Amounts levied for property tax are $4,554,785, an increase of $433,948 over fiscal year 2018. Total receipts and other financing sources for fiscal year 2019 increased $246,297 from the amended budget for fiscal year 2018. This increase is mainly due to an increase in expected net property tax.

Budgeted disbursements increased $204,307 from the amended fiscal year 2018 budget. The increase is primarily due to an increase in capital projects disbursements over fiscal year 2018.

The County has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease 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 Taylor 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 Taylor County Auditor's Office, 405 Jefferson Street, Bedford, Iowa 50833.

Taylor County

Basic Financial Statements

Exhibit A

Taylor County

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	$ 3,974,734
Receivables:	
Property tax:	
Delinquent	5,511
Succeeding year	4,137,000
Interest and penalty on property tax	20,482
Accounts	120,841
Accrued interest	833
Due from other governments	472,353
Inventories	252,855
Prepaid items	253,043
Capital assets, net of accumulated depreciation	21,649,307
Total assets	30,886,959
Deferred Outflows of Resources	
Pension related deferred outflows	945,062
Liabilities	
Accounts payable	85,408
Accrued interest payable	3,496
Salaries and benefits payable	63,943
Due to other governments	4,715
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	840,000
Compensated absences	146,927
Portion due or payable after one year:	
General obligation bonds	4,520,000
Compensated absences	129,177
Net pension liability	2,332,076
Total OPEB liability	285,156
Total liabilities	8,410,898
Deferred Inflows of Resources	
Unavailable property tax revenue	4,137,000
Pension related deferred inflows	116,048
Total deferred inflows of resources	4,253,048
Net Position	
Net investment in capital assets	16,289,307
Restricted for:	
Supplemental levy purposes	567,323
Mental Health purposes	5,489
Rural services purposes	177,614
Secondary roads purposes	1,444,406
Debt services	40,550
Conservation purposes	78,894
Ambulance services	273,634
Other purposes	476,563
Unrestricted	(185,705)
Total net position	$ 19,168,075

See notes to financial statements.

Taylor County

Statement of Activities

Year ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:				
Governmental activities:				
Public safety and legal services	$ 1,651,116	710,404	44,500	(896,212)
Physical health and social services	1,229,935	325,731	624,261	(279,943)
Mental health	95,508	-	-	(95,508)
County environment and education	238,727	12,542	12,492	(213,693)
Roads and transportation	4,992,402	121,262	3,106,855	(1,764,285)
Governmental services to residents	338,686	121,045	-	(217,641)
Administration	772,998	29,493	1,000	(742,505)
Interest on long-term debt	116,503	-	-	(116,503)
Total	$ 9,435,875	1,320,477	3,789,108	(4,326,290)
General Revenues:				
Property and other county tax levied for:				
General purposes				2,994,362
Debt service				863,273
Penalty and interest on property tax				34,201
State tax credits				294,645
Local option sales tax				194,358
Unrestricted investment earnings				38,326
Gain on disposition of capital assets				156,498
Miscellaneous				885
Total general revenues				4,576,548
Change in net position				250,258
Net position beginning of year, as restated				18,917,817
Net position end of year				$ 19,168,075

See notes to financial statements.

Taylor County

Balance Sheet
Governmental Funds

June 30, 2018

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	$ 1,920,914	5,329	160,993	1,376,749
Receivables:				
Property tax:				
Delinquent	3,750	160	21	-
Succeeding year	2,310,000	131,000	823,000	-
Interest and penalty on property tax	20,482	-	-	-
Accounts	116,666	-	-	3,812
Accrued interest	833	-	-	-
Due from other governments	201,201	-	16,617	230,511
Inventories	-	-	-	252,855
Prepaid items	249,443	-	-	3,600
Total assets	$ 4,823,289	136,489	1,000,631	1,867,527
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 28,112	-	17	57,114
Salaries and benefits payable	-	-	-	63,943
Due to other governments	3,919	-	-	796
Total liabilities	32,031	-	17	121,853
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,310,000	131,000	823,000	-
Other	44,677	160	21	-
Total deferred inflows of resources	2,354,677	131,160	823,021	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	252,855
Prepaid items	249,443	-	-	3,600
Restricted for:				
Supplemental levy purposes	358,797	-	-	-
Rural services purposes	-	-	177,593	-
Secondary roads purposes	-	-	-	1,489,219
Conservation purposes	78,894	-	-	-
Debt service	-	-	-	-
Ambulance purposes	273,634	-	-	-
Other purposes	-	5,329	-	-
Unassigned	1,475,813	-	-	-
Total fund balances	2,436,581	5,329	177,593	1,745,674
Total liabilities, deferred inflows of resources and fund balances	$ 4,823,289	136,489	1,000,631	1,867,527

See notes to financial statements.

Debt Service	Nonmajor	Total
42,466	452,341	3,958,792
1,580	-	5,511
873,000	-	4,137,000
-	-	20,482
-	363	120,841
-	-	833
-	24,024	472,353
-	-	252,855
-	-	253,043
917,046	476,728	9,221,710
-	165	85,408
-	-	63,943
-	-	4,715
-	165	154,066
873,000	-	4,137,000
1,580	-	46,438
874,580	-	4,183,438
-	-	252,855
-	-	253,043
-	-	358,797
-	-	177,593
-	-	1,489,219
-	-	78,894
42,466	-	42,466
-	-	273,634
-	476,563	481,892
-	-	1,475,813
42,466	476,563	4,884,206
917,046	476,728	9,221,710

Taylor County

Taylor County

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

June 30, 2018

Total governmental fund balances (page 21)		$ 4,884,206
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is $38,318,904 and the accumulated depreciation/amortization is $16,669,597.		21,649,307
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.		46,438
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.		15,942
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 945,062	
Deferred inflows of resources	(116,048)	829,014
Long-term liabilities, including the general obligation bonds payable, compensated absences payable, 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.		(8,256,832)
Net position of governmental activities (page 18)		$ 19,168,075

See notes to financial statements.

Taylor County

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

Year ended June 30, 2018

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 2,097,305	89,067	783,718	-
Local option sales tax	-	-	64,525	-
Interest and penalty on property tax	34,201	-	-	-
Intergovernmental	1,634,695	10,224	57,596	3,101,524
Licenses and permits	-	-	3,800	1,910
Charges for service	350,019	-	1,500	-
Use of money and property	38,326	-	-	-
Miscellaneous	66,844	-	1,389	124,683
Total revenues	4,221,390	99,291	912,528	3,228,117
Expenditures:				
Operating:				
Public safety and legal services	1,553,784	-	-	-
Physical health and social services	1,193,300	-	41,113	-
Mental health	-	95,508	-	-
County environment and education	126,143	-	45,639	-
Roads and transportation	-	-	30,000	4,203,036
Governmental services to residents	319,077	-	3,174	-
Administration	823,747	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	39,771
Total expenditures	4,016,051	95,508	119,926	4,242,807
Excess (deficiency) of revenues over (under) expenditures	205,339	3,783	792,602	(1,014,690)
Other financing sources (uses):				
Sale of capital assets	-	-	-	18,975
Transfers in	-	-	-	825,962
Transfers out	-	-	(825,962)	-
Total other financing sources (uses)	-	-	(825,962)	844,937
Change in fund balances	205,339	3,783	(33,360)	(169,753)
Fund balances beginning of year	2,231,242	1,546	210,953	1,915,427
Fund balances end of year	$ 2,436,581	5,329	177,593	1,745,674

See notes to financial statements.

Debt Service	Nonmajor	Total
887,545	-	3,857,635
-	129,833	194,358
-	-	34,201
72,018	-	4,876,057
-	-	5,710
-	1,473	352,992
-	-	38,326
-	6,559	199,475
959,563	137,865	9,558,754
-	7,574	1,561,358
-	-	1,234,413
-	-	95,508
-	56,328	228,110
-	-	4,233,036
-	1,764	324,015
-	-	823,747
951,723	-	951,723
-	-	39,771
951,723	65,666	9,491,681
7,840	72,199	67,073
-	-	18,975
-	-	825,962
-	-	(825,962)
-	-	18,975
7,840	72,199	86,048
34,626	404,364	4,798,158
42,466	476,563	4,884,206

Taylor 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)		$ 86,048
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/amortization expense to allocate those expenditures over the life of the assets. Depreciation/amortization expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	$ 992,985	
Depreciation/amortization expense	(1,832,687)	(839,702)
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		156,498
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.		(29,119)
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.		835,000
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.		283,095
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	(12,502)	
OPEB expense	131,472	
Pension expense	(376,694)	
Interest on long-term debt	220	(257,504)
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		15,942
Change in net position of governmental activities (page 19)		$ 250,258

See notes to financial statements.

Taylor County

Statement of Net Position
Proprietary Funds

June 30, 2018

		Internal Service - Employee Group Health
Assets		
Cash, cash equivalents and pooled investments	$	15,942
Liabilities		
None		-
Net position		
Unrestricted	$	15,942

See notes to financial statements.

Taylor County

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

Year ended June 30, 2018

	Internal Service - Employee Group Health
Operating revenues:	
Reimbursements from operating funds	$ 15,942
Operating expenses:	
None	-
Operating income	15,942
Non-operating revenues:	
None	-
Net income	15,942
Net position beginning of year	-
Net position end of year	$ 15,942

See notes to financial statements.

Taylor County

Statement of Cash Flows
Proprietary Funds

June 30, 2018

		Internal Service - Employee Group Health
Cash flows from operating activities and net increase in cash and cash equivalents:		
Cash received from operating funds	$	15,942
Cash and cash equivalents beginning of year		-
Cash and cash equivalents end of year	$	15,942
Reconciliation of operating income to net cash provided by operating activities:		
Operating income and net cash provided by operating activities	$	15,942

See notes to financial statements.

Taylor County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets		
Cash and pooled investments:		
County Treasurer	$	587,394
Other County officials		18,290
Receivables:		
Property tax:		
Delinquent		17,741
Succeeding year		6,861,000
Prepaid items		4,800
Total assets		7,489,225
Liabilities		
Accounts payable		11,988
Due to other governments		7,471,123
Trusts payable		139
Compensated absences		5,975
Total liabilities		7,489,225
Net position	$	-

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Taylor 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, Taylor 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. Taylor 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: Taylor County Assessor's Conference Board, Taylor County Emergency Management Commission and Taylor County Joint 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: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), South Iowa Area Crime Commission, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Infrastructure	$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability 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 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 measureable, 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 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 they are 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 Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted. However, the budget was not appropriated by resolution before disbursements were made.

(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	$ 825,962

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	$ 891,709	-	-	891,709
Construction in progress	29,565	122,571	-	152,136
Total capital assets not being depreciated/amortized	921,274	122,571	-	1,043,845
Capital assets being depreciated/amortized:				
Buildings	4,169,860	-	-	4,169,860
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	5,403,247	1,033,414	(480,724)	5,955,937
Intangibles, other	77,750	-	-	77,750
Infrastructure, road network	26,833,361	-	-	26,833,361
Total capital assets being depreciated/amortized	36,722,369	1,033,414	(480,724)	37,275,059
Less accumulated depreciation/amortization for:				
Buildings	521,221	76,095	-	597,316
Improvements other than buildings	52,393	4,763	-	57,156
Equipment and vehicles	3,808,728	357,502	(474,222)	3,692,008
Intangibles, other	5,183	5,183	-	10,366
Infrastructure, road network	10,923,607	1,389,144	-	12,312,751
Total accumulated depreciation/amortization	15,311,132	1,832,687	(474,222)	16,669,597
Total capital assets being depreciated/amortized, net	21,411,237	(799,273)	(6,502)	20,605,462
Governmental activities capital assets, net	$ 22,332,511	(676,702)	(6,502)	21,649,307

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 165,393
Physical health and social services	1,370
County environment and education	10,332
Roads and transportation	1,655,592
Total depreciation/amortization expense - governmental activities	$ 1,832,687

(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	Services	$ 3,919
Special Revenue:		
Secondary Roads	Services	796
Total for governmental funds		$ 4,715
Agency:		
County Assessor	Collections	$ 392,510
Schools		4,928,929
Community Colleges		325,386
Corporations		1,279,668
Townships		158,760
All other		385,870
Total for agency funds		$ 7,471,123

(6) Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$ 6,195,000	263,602	2,039,616	416,628	8,914,846
Increases	-	192,285	292,460	30,608	515,353
Decreases	835,000	179,783	-	162,080	1,176,863
Balance end of year	$ 5,360,000	276,104	2,332,076	285,156	8,253,336
Due within one year	$ 840,000	146,927	-	-	-

General Obligation Bonds

A summary of the County's June 30, 2018 general obligation bond indebtedness is as follows:

Year Ending June 30,	Series 2012 County Road Reconstruction and Improvement Issued March 9, 2012 Interest Rates			
	Interest Rates	Principal	Interest	Total
2019	1.30%	$ 605,000	39,780	644,780
2020	1.50	615,000	31,915	646,915
2021	1.70	625,000	22,690	647,690
2022	1.90	635,000	12,064	647,064
Total		$ 2,480,000	106,449	2,586,449

Year Ending June 30,	Series 2014 County Law Enforcement Facility Issued March 28, 2014				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2019	1.25%	$ 235,000	68,110	303,110	840,000	107,890	947,890
2020	1.50	240,000	65,173	305,173	855,000	97,088	952,088
2021	1.85	255,000	61,572	316,572	880,000	84,262	964,262
2022	2.15	245,000	56,855	301,855	880,000	68,919	948,919
2023	2.25	250,000	51,588	301,588	250,000	51,588	301,588
2024-2028	2.40-3.00	1,360,000	162,020	1,522,020	1,360,000	162,020	1,522,020
2029	3.10	295,000	9,145	304,145	295,000	9,145	304,145
Total		$ 2,880,000	474,463	3,354,463	5,360,000	580,912	5,940,912

During the year ended June 30, 2018, the County retired $835,000 of general obligation bond principal.

(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.

<u>Disability and Death Benefits</u> – 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.

<u>Contributions</u> – 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 Sheriffs, 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%, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 were $283,095.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of $2,332,076 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 0.035010%, which was an increase of 0.002601% from its collective proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $376,694. 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	$ 31,000	33,233
Changes of assumptions	499,906	5,110
Net difference between projected and actual earnings on IPERS' investments	-	32,011
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	131,061	45,694
County contributions subsequent to the measurement date	283,095	-
Total	$ 945,062	116,048

$283,095 reported as deferred outflows of resources related to pensions resulting from the 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	$ 67,498
2020	241,482
2021	156,804
2022	37,551
2023	42,584
Total	$ 545,919

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, as follows:

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	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 4,246,755	2,332,076	724,994

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.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical/prescription drug 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 Taylor 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 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	6
Active employees	72
Total	78

Total OPEB Liability – The County's total OPEB liability of $285,156 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)	3.25% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation, plus merit/productivity increases.
Discount rate (effective June 30, 2018)	3.58% 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 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 416,628
Changes for the year:	
Service cost	17,919
Interest	12,689
Differences between expected and actual experiences	(137,357)
Changes in assumptions	(24,723)
Net changes	(131,472)
Total OPEB liability end of year	$ 285,156

Changes of assumptions reflect a change in the discount rate from 2.92% in fiscal year 2017 to 3.58% 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 (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	$ 313,315	285,156	261,064

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

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.0%)
Total OPEB liability	$ 252,927	285,156	324,370

OPEB Expense – For the year ended June 30, 2018, the County recognized OPEB expense of $131,472. The County utilized the alternative measurement method which results in all deferred outflows/inflows of resources related to OPEB being fully recognized in the current fiscal year.

(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 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 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 $155,056.

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 in the amount of $2,000,000. 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) Southern Iowa Rural Water Association (SIRWA) Agreement

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan for $500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Taylor County's share of the debt was 12.5%, or $62,500. Each participant was required to establish a SIRWA Grid Sinking Reserve Fund and appropriate to the fund from the County's General Fund sufficient funds to pay the principal and interest on the loan. The County established the Special Revenue, SIRWA Grid Sinking Reserve Fund and transferred $62,500 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before determining the disposition of the balance in the SIRWA Grid Sinking Reserve Fund.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Lenox	Urban renewal and economic development projects	$ 11,040

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

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Adair County, Adams County, Union County and Taylor County. The financial activity of Taylor County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:	
Property and other county tax	$ 89,067
Intergovernmental:	
State tax credits	10,224
Total revenues	99,291
Expenditures:	
Distribution to regional fiscal agent	95,508
Excess of revenues over expenditures	3,783
Fund balance beginning of year	1,546
Fund balance end of year	$ 5,329

(13) Accounting Change/Restatement

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

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 19,301,145
Net OPEB obligation measured under previous standards	33,300
Total OPEB liability at June 30, 2017	(416,628)
Net position July 1, 2017, as restated	$ 18,917,817

Required Supplementary Information

Taylor 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 Original
Receipts:		
Property and other county tax	$ 4,042,175	4,059,682
Interest and penalty on property tax	34,201	18,810
Intergovernmental	4,856,755	5,612,331
Licenses and permits	5,867	5,266
Charges for service	318,004	208,656
Use of money and property	38,242	40,700
Miscellaneous	277,941	77,468
Total receipts	9,573,185	10,022,913
Disbursements:		
Public safety and legal services	1,553,317	1,608,054
Physical health and social services	1,242,008	1,396,615
Mental health	95,508	95,509
County environment and education	232,269	281,172
Roads and transportation	4,299,126	4,298,000
Governmental services to residents	324,876	393,060
Administration	850,605	813,244
Debt service	951,722	961,724
Capital projects	39,771	900,000
Total disbursements	9,589,202	10,747,378
Excess (deficiency) of receipts over (under) disbursements	(16,017)	(724,465)
Other financing sources, net	18,975	25,500
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,958	(698,965)
Balance beginning of year	3,955,834	3,686,785
Balance end of year	$ 3,958,792	2,987,820

See accompanying independent auditor's report.

Amounts Final	Final to Actual Variance
4,059,682	(17,507)
18,810	15,391
5,672,531	(815,776)
5,266	601
216,971	101,033
40,700	(2,458)
91,668	186,273
10,105,628	(532,443)
1,650,754	97,437
1,422,103	180,095
95,509	1
285,385	53,116
4,598,000	298,874
395,060	70,184
941,782	91,177
961,724	10,002
100,000	60,229
10,450,317	861,115
(344,689)	328,672
25,500	(6,525)
(319,189)	322,147
3,686,785	269,049
3,367,596	591,196

Taylor County

Taylor 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	$ 9,573,185	(14,431)	9,558,754
Expenditures	9,589,202	(97,521)	9,491,681
Net	(16,017)	83,090	67,073
Other financing sources, net	18,975	-	18,975
Beginning fund balances	3,955,834	842,324	4,798,158
Ending fund balances	$ 3,958,792	925,414	4,884,206

See accompanying independent auditor’s report.

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by $297,061. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

Taylor 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	0.035010%	0.032409%	0.031002%	0.030002%
County's proportionate share of the net pension liability	$ 2,332	2,040	1,532	1,190
County's covered payroll	$ 3,143	2,846	2,672	2,602
County's proportionate share of the net pension liability as a percentage of its covered payroll	74.20%	71.68%	57.34%	45.73%
Plan fiduciary 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.

Taylor County

Schedule of County Contributions

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

Required Supplementary Information

		2018	2017	2016	2015
Statutorily required contribution	$	283	286	258	242
Contributions in relation to the statutorily required contribution		(283)	(286)	(258)	(242)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	3,129	3,143	2,846	2,672
Contributions as a percentage of covered payroll		9.04%	9.10%	9.07%	9.06%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
237	227	201	173	160	167
(237)	(227)	(201)	(173)	(160)	(167)
-	-	-	-	-	-
2,602	2,543	2,391	2,366	2,324	2,340
9.11%	8.93%	8.41%	7.31%	6.88%	7.14%

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.

Taylor County

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

For the Current Year
Required Supplementary Information

	2018
Service cost	$ 17,919
Interest cost	12,689
Difference between expected and actual experiences	(137,357)
Changes in assumptions	(24,723)
Net change in total OPEB liability	(131,472)
Total OPEB liability beginning of year, as restated	416,628
Total OPEB liability end of year	$ 285,156
Covered-employee payroll	$ 2,954,400
Total OPEB liability as a percentage of covered-employee payroll	9.7%

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	3.58%
Year ended June 30, 2017	2.92%

Taylor County

Supplementary Information

Taylor County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

		Special	
		County Recorder's Records Management	Forfeitures
Assets			
Cash and pooled investments	$	2,517	29,931
Accounts receivable		363	-
Due from other governments		-	-
Total assets	$	2,880	29,931
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$	-	165
Fund balances:			
Restricted for other purposes		2,880	29,766
Total liabilities and fund balances	$	2,880	29,931

See accompanying independent auditor's report.

Revenue

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
357,393	62,500	452,341
-	-	363
24,024	-	24,024
381,417	62,500	476,728
-	-	165
381,417	62,500	476,563
381,417	62,500	476,728

Taylor County

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

Year ended June 30, 2018

	Special	
	County Recorder's Records Management	Forfeitures
Revenues:		
Local option sales tax	$ -	-
Charges for service	1,473	-
Miscellaneous	-	6,559
Total revenues	1,473	6,559
Expenditures:		
Operating:		
Public safety and legal services	-	1,425
County environment and education	-	-
Governmental services to residents	1,764	-
Total expenditures	1,764	1,425
Change in fund balances	(291)	5,134
Fund balances beginning of year	3,171	24,632
Fund balances end of year	$ 2,880	29,766

See accompanying independent auditor’s report.

Revenue		
Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
129,833	-	129,833
-	-	1,473
-	-	6,559
129,833	-	137,865
6,149	-	7,574
56,328	-	56,328
-	-	1,764
62,477	-	65,666
67,356	-	72,199
314,061	62,500	404,364
381,417	62,500	476,563

Taylor County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	714	250,943	32,111	1,864
Other County officials	18,290	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	200	250	7,818	522
Succeeding year	-	111,000	141,000	4,889,000	323,000
Prepaid items	-	-	4,800	-	-
Total assets	$ 18,290	111,914	396,993	4,928,929	325,386
Liabilities					
Liabilities:					
Accounts payable	$ 10,824	-	66	-	-
Due to other governments	7,327	111,914	392,510	4,928,929	325,386
Trusts payable	139	-	-	-	-
Compensated absences	-	-	4,417	-	-
Total liabilities	$ 18,290	111,914	396,993	4,928,929	325,386

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
31,726	1,753	155,496	112,787	587,394
-	-	-	-	18,290
8,942	7	-	2	17,741
1,239,000	157,000	-	1,000	6,861,000
-	-	-	-	4,800
1,279,668	158,760	155,496	113,789	7,489,225
-	-	-	1,098	11,988
1,279,668	158,760	155,496	111,133	7,471,123
-	-	-	-	139
-	-	-	1,558	5,975
1,279,668	158,760	155,496	113,789	7,489,225

Taylor County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 12,703	112,695	397,403	4,777,264	294,880
Additions:					
Property and other county tax	-	111,742	141,882	4,917,581	324,857
E-911 surcharge	-	-	-	-	-
State tax credits	-	9,072	11,358	386,423	23,699
Office fees and collections	184,370	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	139	-	-	-	-
Miscellaneous	-	-	2,193	-	-
Total additions	184,509	120,814	155,433	5,304,004	348,556
Deductions:					
Agency remittances:					
To other funds	47,821	-	-	-	-
To other governments	74,995	121,595	155,843	5,152,339	318,050
Trusts paid out	56,106	-	-	-	-
Total deductions	178,922	121,595	155,843	5,152,339	318,050
Balances end of year	$ 18,290	111,914	396,993	4,928,929	325,386

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
1,162,766	153,097	147,216	116,040	7,174,064
1,158,988	163,615	-	1,024	6,819,689
-	-	-	46,198	46,198
195,777	8,490	-	83	634,902
-	-	-	1,528	185,898
-	-	2,047,179	-	2,047,179
-	-	32,758	-	32,758
-	-	-	8,306	8,306
-	-	-	130,692	130,831
-	-	-	64,567	66,760
1,354,765	172,105	2,079,937	252,398	9,972,521
-	-	104,028	-	151,849
1,237,863	166,442	1,967,629	145,484	9,340,240
-	-	-	109,165	165,271
1,237,863	166,442	2,071,657	254,649	9,657,360
1,279,668	158,760	155,496	113,789	7,489,225

Taylor County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	$ 3,922,160	3,604,824	3,572,048	3,553,111
Local option sales tax	129,833	214,492	216,613	199,132
Interest and penalty on property tax	34,201	32,003	30,783	32,793
Intergovernmental	4,876,057	5,353,030	5,214,924	4,476,827
Licenses and permits	5,710	5,284	6,297	13,673
Charges for service	352,992	413,874	213,362	226,729
Use of money and property	38,326	39,215	53,838	83,608
Miscellaneous	199,475	252,317	192,703	222,099
Total	$ 9,558,754	9,915,039	9,500,568	8,807,972
Expenditures:				
Operating:				
Public safety and legal services	$ 1,561,358	1,588,224	1,526,825	1,251,207
Physical health and social services	1,234,413	1,279,399	985,114	1,019,411
Mental health	95,508	95,642	141,450	146,341
County environment and education	228,110	238,045	417,695	183,274
Roads and transportation	4,233,036	4,295,584	3,051,454	3,131,219
Governmental services to residents	324,015	364,445	340,789	333,788
Administration	823,747	751,252	685,828	681,521
Debt service	951,723	953,603	1,184,630	1,011,973
Capital projects	39,771	698,401	1,491,432	3,121,078
Total	$ 9,491,681	10,264,595	9,825,217	10,879,812

See accompanying independent auditor’s report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
3,202,539	3,144,805	2,625,373	2,538,207	2,475,724	2,432,311
174,982	197,786	223,876	206,378	178,685	172,166
36,407	34,621	30,172	31,208	33,505	31,213
4,390,596	4,325,426	4,018,382	3,978,151	3,699,525	3,539,127
11,376	18,211	14,991	15,361	14,647	7,378
254,164	218,298	181,998	176,801	162,884	140,161
69,648	42,206	81,394	67,272	67,190	83,731
212,779	243,752	375,840	147,965	119,191	110,727
8,352,491	8,225,105	7,552,026	7,161,343	6,751,351	6,516,814
1,240,341	972,594	861,724	818,628	790,102	770,502
1,029,654	978,082	1,001,890	954,126	888,046	895,522
220,261	411,244	661,178	511,893	512,736	475,259
332,326	265,601	634,221	192,113	267,342	167,562
3,420,299	3,048,635	3,018,866	3,086,672	2,967,517	2,613,123
314,675	382,556	299,745	285,559	272,421	264,705
645,329	612,607	594,981	584,532	570,507	571,514
730,759	839,551	197,356	208,634	200,911	204,867
742,959	2,500,535	3,912,468	495,022	126,421	19,507
8,676,603	10,011,405	11,182,429	7,137,179	6,596,003	5,982,561

Taylor County

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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

To the Officials of Taylor 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 Taylor 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 May 13, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Taylor County's Responses to the Findings

Taylor County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Taylor 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 Taylor 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.

Marlys Gaston

MARLYS K. GASTON, CPA
Deputy Auditor of State

May 13, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

	Applicable Offices
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder, Public Health Nurse, Engineer, Conservation
(2) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.	Public Health Nurse, Engineer, Sheriff, Conservation, Ag Extension
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Ag Extension
(4) The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person.	Treasurer
(5) All individuals in the Treasurer's Office have the ability to void receipts in the Solutions system, including individuals who perform daily balancing. A monthly report of voided transactions is not maintained or reviewed.	Treasurer
(6) The change fund and cash drawers are shared between employees.	Treasurer
(7) Journal entries are not reviewed and approved by an independent person.	Auditor

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

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

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

Responses –

County Recorder – We are limited in our options because of our low workforce, but we will attempt to segregate duties as much as possible. We will ask an independent person to review our bank reconciliations to obtain the maximum internal controls possible.

County Sheriff – We understand the importance of segregation of duties and with a small office it is difficult. However, we will review office procedures to obtain the maximum internal controls possible.

County Treasurer – The Office will review procedures and identify ways to segregate duties as much as possible and implement compensating controls where increased control can be achieved.

County Auditor – The Office will work with the Treasurer's Office to see that all journal entries are reviewed and signed off on.

County Conservation – With limited staff, segregation of duties is difficult. We will work with staff to obtain the maximum internal control under current circumstances.

Engineer – With limited staff, segregation of duties is difficult. We will work with staff to obtain the maximum internal control under current circumstances.

Public Health Nurse – We feel we are above average in segregating duties while being fiscally responsible with employee's time and expertise. To train more staff to take on the complexities of this office's fiscal management opens a door for more errors than the risk of theft or fraud poses. We use currently available staff, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of the review are documented by the signature or initials of the reviewer and the date of the review. The Administrator reviews deposits on a weekly basis. The Administrator also balances the expenditure and revenue reports provided by the County Auditor. The summary of which is reported to the Board of Health monthly. Any perceived irregularities are addressed immediately and corrective action is taken as needed.

Ag Extension – We plan to have an Extension Council member along with our bookkeeper do a reconciliation.

Conclusion – Responses accepted.

(B) Financial Reporting

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

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

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

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

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

Responses –

County Auditor – The County will be changing its policy and procedures to ensure all capital assets are properly accounted for.

County Treasurer – We will work to ensure all receivables are identified and properly reported.

Conclusion – Responses accepted.

(C) Restrictive Endorsement

Criteria – An effective internal control system provides for internal controls related to ensuring the safety of County assets.

Condition – Restrictive endorsements were not placed on checks immediately upon receipt in the County Engineer's Office.

Cause – Procedures have not been designed and implemented by the County Engineer to ensure checks are endorsed immediately upon receipt.

Effect – Lack of restrictive endorsements can result in an opportunity for misappropriation.

Recommendation – Restrictive endorsements should be placed on all checks immediately upon receipt.

Response – We will work with the County Treasurer to have a means of placing a restrictive endorsement on checks immediately upon receipt.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted.

The budget was not appropriated by resolution before disbursements were made in accordance with Chapter 331.434(6) of the Code of Iowa.

Recommendation – The budget should be appropriated by resolution before disbursements are made in accordance with Chapter 331.434(6) of the Code of Iowa.

Response – We will ensure next year there is a resolution for the appropriations prior to disbursing funds.

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 Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Andy Thomas, spouse is a Public Health Nurse, owns Native Hardwood	Courthouse repairs	$ 140
Jerimiah Ambrose, son of a County Supervisor, owns ABC Plumbing & Electric	Plumbing services and materials	1,716
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services and rental	2,110

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Andy Thomas do not appear to represent a conflict of interest since the total transactions were less than $1,500 during the fiscal year. The remaining transactions may represent conflicts of interest since the transactions with each individual were greater than $1,500 during the fiscal year and were not competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We like to try to keep county dollars local. With a small county, it is difficult to hire someone that is not related to someone already employed by Taylor County.

Conclusion – Response acknowledged. However, the Board should consult legal counsel to determine the disposition of this matter.

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

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

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 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.

Staff

This audit was performed by:

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