

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 18, 2019

Contact: Marlys Gaston
515/281-5834

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

The County had local tax revenue of \$20,895,705 for the year ended June 30, 2018, which included \$1,837,173 in tax credits from the state. The County forwarded \$15,274,279 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,621,426 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$921,874, operating grants, contributions and restricted interest of \$3,519,069, local option sales tax of \$497,502, unrestricted investment earnings of \$46,805 and other general revenues of \$451,568.

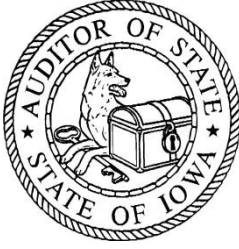
Expenses for County operations for the year ended June 30, 2018 totaled \$11,264,660, a 0.8% increase over the prior year. Expenses included \$5,249,661 for roads and transportation, \$1,905,396 for public safety and legal services and \$1,107,269 for county environment and education.

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

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

Union County



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STATE OF IOWA

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Des Moines, Iowa 50319-0006

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

May 29, 2019

Officials of Union County
Creston, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Union 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 Union 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,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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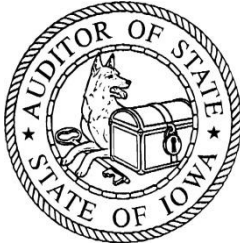
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Union County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Cline	Board of Supervisors	Nov 2018
Ron Riley	Board of Supervisors	Jan 2019
Dennis Brown	Board of Supervisors	Jan 2021
Sandy Hysell	County Auditor	Jan 2021
Kelly Busch	County Treasurer	Jan 2019
Katie Carlton	County Recorder	Nov 2018
Rick L. Piel	County Sheriff	Jan 2021
Timothy R. Kenyon	County Attorney	Jan 2019
Theresa Pudenz	County Assessor	Jan 2022

Union County



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Independent Auditor's Report

To the Officials of Union County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 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 Union 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 16 to the financial statements, Union 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 54 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the year ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 29, 2019 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Union County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

May 29, 2019

Union County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018 along with comparative data for the year ended June 30, 2017. 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 \$250,769 to retroactively report the decrease 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 10.0%, or approximately \$1,234,000, from fiscal year 2017 to fiscal year 2018.
- Program expenses of the County's governmental activities remained relatively constant, increasing 0.8%, or approximately \$90,000.
- The County's net position decreased approximately \$207,000 or 1.6%, from the June 30, 2017 balance, after restatement.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) 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 among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Prior to restatement, Union County's combined net position increased from approximately \$12.9 million to approximately \$13 million. The analysis that follows focuses on the changes in the net position of governmental activities, before restatement.

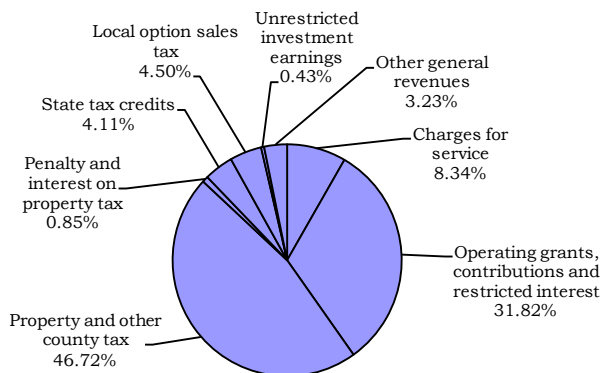
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 12,270	10,469
Capital assets	15,425	15,699
Total assets	27,695	26,168
Deferred outflows of resources	873	793
Long-term liabilities	9,743	8,628
Other liabilities	532	229
Total liabilities	10,275	8,857
Deferred inflows of resources	5,366	5,222
Net position:		
Net investment in capital assets	9,457	11,076
Restricted	3,943	2,434
Unrestricted	(474)	(628)
Total net position	\$ 12,926	12,882

Prior to restatement, net position of Union County's governmental activities increased .3%. The largest portion of the County's net position is invested in capital assets (e.g. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit of approximately \$628,000 at June 30, 2017 to a deficit of approximately \$474,000 at the end of this year, an increase of 24.5%. The increase is primarily due to a decrease in the total OPEB liability from the prior year.

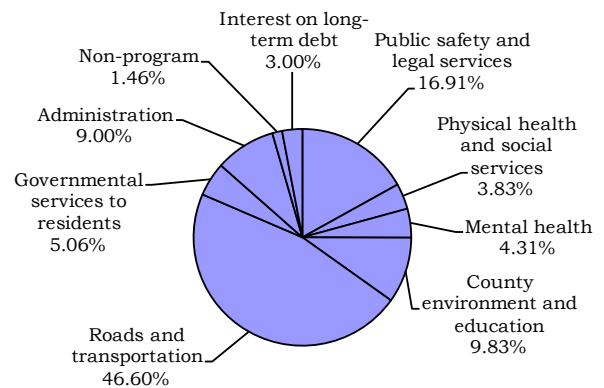
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 922	818
Operating grants, contributions and restricted interest	3,519	4,599
Capital grants, contributions and restricted interest	-	342
General revenues:		
Property and other county tax	5,166	5,102
Tax increment financing	-	141
Penalty and interest on property tax	94	81
State tax credits	455	477
Local option sales tax	498	554
Unrestricted investment earnings	47	27
Other general revenues	357	151
Total revenues	11,058	12,292
Program expenses:		
Public safety and legal services	1,905	1,692
Physical health and social services	432	454
Mental health	485	508
County environment and education	1,107	2,213
Roads and transportation	5,250	4,338
Governmental services to residents	570	511
Administration	1,014	1,039
Non-program	164	151
Interest on long-term debt	338	269
Total expenses	11,265	11,175
Change in net position	(207)	1,117
Net position beginning of year, as restated	13,133	11,765
Net position end of year	\$ 12,926	12,882

Revenues by Source



Expenses by Program



Overall, revenues decreased approximately \$1,234,000, or 10.0%, during the year. The decrease is primarily due to a decrease in operating grants, contributions and restricted interest related to a decrease in Community Development Block Grant (CDBG) funds received as well as a reduction in the amount of capital assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$11.3 million compared to approximately \$11.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$6.7 million because some of the cost was paid by those directly benefited from the programs (approximately \$922,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,674,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2017 from approximately \$5,759,000 to approximately \$4,596,000, principally due to receiving less CDBG funds passed through the County from the Iowa Economic Development Authority to various cities for CDBG projects. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of approximately \$5.7 million compared to approximately \$4.6 million at June 30, 2017, an increase of approximately \$1,132,000.

- The General Fund, the operating fund for Union County, ended fiscal year 2018 with a balance of \$1,254,207, a decrease of \$69,206 from the fiscal year 2017 ending balance of \$1,323,413. The decrease was primarily due to an increase in transfers out to the Secondary Roads Fund over fiscal year 2017.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end increased \$8,848, from a fund balance of \$37,129 to \$45,977. The increase in fund balance is the result of the County distributing less property tax to the Southern Hills Regional Mental Health Agency compared to fiscal year 2017. During fiscal year 2018, the County utilized the Special Revenue, Mental Health Fund for the collecting and distributing property tax to the Southern Hills Regional Mental Health Agency.
- The Special Revenue, Rural Services Fund ending fund balance decreased \$70,472, or 50.2%, from the prior year to \$69,809 primarily due to a decrease in local option sales tax revenue credited to the Rural Fund.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a \$988,385 fund balance, a decrease of \$126,730 compared to the prior year ending fund balance of \$1,115,115. The fund balance decrease was due, in part, to a decrease in road use tax revenues of \$133,176.
- The Debt Service Fund balance decreased from \$1,685,538 at the end of fiscal year 2017 to \$1,643,222 at the end of fiscal year 2018. The fund balance decreased as a result of a decrease in Debt Service Fund revenues of approximately \$62,000. The end of year fund balance includes a \$586,368 receivable from the Prairie Solid Waste Agency for general obligation solid waste disposal notes issued for the Agency.
- The Capital Projects Fund balance increased by approximately \$1,420,000 or 213%, over the prior year to \$1,486,821. The increase is primarily due to proceeds from the issuance of general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget twice. The amendments were made in September 2017 and May 2018 and primarily resulted in an increase in budgeted disbursements related to the roads and transportation function.

The County's receipts were \$2,173,619 less than budgeted, a variance of 17.2%. The most significant variance resulted from the Community Development Block Grant activity being less than expected.

Total disbursements were \$4,350,338 less than the amended budget. The most significant variances resulted from county environment and education, roads and transportation and capital projects disbursements being less than expected. The County environment and education function came in lower due to less than expected activity related to the Community Development Block Grant. The County exceeded the amended amounts in the debt service function for the year ended June 30, 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Union County had approximately \$15.4 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$274,000, or 1.7%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 254	254
Construction in progress, road network	-	17
Buildings	633	670
Improvements other than buildings	13	15
Equipment and vehicles	1,828	1,500
Infrastructure	12,697	13,243
Total	\$ 15,425	15,699

This year's major additions were equipment and vehicles costing approximately \$810,000 and infrastructure costing approximately \$159,000.

Union County had depreciation expense of \$1,112,992 for fiscal year 2018 and total accumulated depreciation of \$11,182,158 at June 30, 2018. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Union County had approximately \$6,753,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$5,523,000 at June 30, 2017, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
Capital lease purchase agreements	\$ 78	177
General obligation bonds	5,890	4,405
General obligation solid waste disposal notes	785	900
Bank loan	-	41
Total	\$ 6,753	5,523

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$46 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Debt increased as a result of issuing general obligation bonds for road and culvert improvements and for a debt refunding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.6% versus 3.3% a year ago. This compares with the State's unemployment rate of 2.5% and the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2019. Amounts available for appropriation in the operating budget are approximately \$15.1 million, a decrease of 19.8% over the final fiscal year 2018 budget. The property tax rate for urban areas inclined slightly from \$8.7797 per \$1,000 of taxable valuation to \$8.58489 per \$1,000 of taxable valuation for fiscal year 2019. The property tax rate in rural areas declined from \$12.50133 per \$1,000 of taxable valuation to \$12.42 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Union County Auditor's Office, 300 N. Pine Street, Suite 2, Creston, Iowa 50801.

Union County

Basic Financial Statements

Union County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 5,306,107
Cash held by health plan trustee	163,120
Receivables:	
Property tax:	
Delinquent	85,561
Succeeding year	5,198,000
Interest and penalty on property tax	129,568
Loan	586,368
Accounts	158,312
Accrued interest	12,942
Due from other governments	296,126
Prepaid expense	110,312
Inventories	223,207
Capital assets, net of accumulated depreciation	15,425,087
Total assets	27,694,710
Deferred Outflows of Resources	
Pension related deferred outflows	811,186
OPEB related deferred outflows	61,482
Total deferred outflows of resources	872,668
Liabilities	
Accounts payable	382,700
Accrued interest payable	20,246
Salaries and benefits payable	76,992
Due to other governments	52,102
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	78,352
General obligation bonds	825,000
General obligation solid waste disposal notes	75,000
Compensated absences	92,042
Portion due or payable after one year:	
General obligation bonds	5,065,000
General obligation solid waste disposal notes	710,000
Compensated absences	117,892
Net pension liability	2,303,115
Total OPEB liability	476,631
Total liabilities	10,275,072
Deferred Inflows of Resources	
Unavailable property tax revenue	5,198,000
Pension related deferred inflows	167,896
Total deferred inflows of resources	5,365,896
Net Position	
Net investment in capital assets	9,456,735
Restricted for:	
Supplemental levy purposes	229,243
Mental health	52,976
Rural services purposes	83,726
Secondary roads purposes	890,117
Debt service	850,381
Capital projects	1,486,821
Other purposes	350,377
Unrestricted	(473,966)
Total net position	\$ 12,926,410

See notes to financial statements.

Union County
Statement of Activities
Year ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 1,905,396	116,568	22,087	(1,766,741)
Physical health and social services	432,296	33,807	197,104	(201,385)
Mental health	485,035	-	-	(485,035)
County environment and education	1,107,269	141,406	709,536	(256,327)
Roads and transportation	5,249,661	54,274	2,589,292	(2,606,095)
Governmental services to residents	570,103	252,626	1,050	(316,427)
Administration	1,013,612	54,032	-	(959,580)
Non-program	163,507	268,865	-	105,358
Interest on long-term debt	337,781	296	-	(337,485)
Total	<u>\$ 11,264,660</u>	<u>921,874</u>	<u>3,519,069</u>	<u>(6,823,717)</u>
General Revenues:				
Property and other county tax levied for:				
General purposes				4,308,236
Debt service				857,839
Penalty and interest on property tax				93,681
State tax credits				455,351
Local option sales tax				497,502
Unrestricted investment earnings				46,805
Rents				32,210
Gain on disposal of capital assets				95,265
Miscellaneous				<u>230,412</u>
Total general revenues				<u>6,617,301</u>
Change in net position				(206,416)
Net position beginning of year, as restated				<u>13,132,826</u>
Net position end of year				<u>\$ 12,926,410</u>
See notes to financial statements.				

Union County
Balance Sheet
Governmental Funds

June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 1,211,061	45,977	66,327	930,163
Receivables:				
Property tax:				
Delinquent	45,018	6,999	21,139	-
Succeeding year	2,957,000	460,000	962,000	-
Interest and penalty on property tax	129,568	-	-	-
Loan	-	-	-	-
Accounts	67,798	-	-	-
Interest	12,942	-	-	-
Due from other governments	64,478	-	25,457	206,191
Prepaid expenditures	8,103	-	8,103	-
Inventories	-	-	-	223,207
Total assets	\$ 4,495,968	512,976	1,083,026	1,359,561
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 43,447	-	15,891	322,997
Salaries and benefits payable	29,552	-	11,111	36,329
Due to other governments	37,176	-	3,076	11,850
Total liabilities	110,175	-	30,078	371,176
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,957,000	460,000	962,000	-
Other	174,586	6,999	21,139	-
Total deferred inflows of resources	3,131,586	466,999	983,139	-
Fund balances:				
Nonspendable:				
Prepaid expenditures	\$ 8,103	-	8,103	-
Inventories	-	-	-	223,207
Restricted for:				
Supplemental levy purposes	217,159	-	-	-
Mental health	-	45,977	-	-
Rural services purposes	-	-	61,706	-
Secondary roads purposes	-	-	-	765,178
Debt service	-	-	-	-
Conservation land acquisition/ capital improvements	91,246	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	29,461	-	-	-
Commissary	4,924	-	-	-
Inmate medical	98,770	-	-	-
Unassigned	804,544	-	-	-
Total fund balances	1,254,207	45,977	69,809	988,385
Total liabilities, deferred inflows of resources and fund balances	\$ 4,495,968	512,976	1,083,026	1,359,561

See notes to financial statements.

Debt Service	Capital Project	Nonmajor	Total
1,057,219	1,486,821	259,131	5,056,699
12,405	-	-	85,561
819,000	-	-	5,198,000
-	-	-	129,568
586,368	-	-	586,368
-	-	-	67,798
-	-	-	12,942
-	-	-	296,126
-	-	-	16,206
-	-	-	223,207
2,474,992	1,486,821	259,131	11,672,475
365	-	-	382,700
-	-	-	76,992
-	-	-	52,102
365	-	-	511,794
819,000	-	-	5,198,000
12,405	-	-	215,129
831,405	-	-	5,413,129
-	-	-	16,206
-	-	-	223,207
-	-	-	217,159
-	-	-	45,977
-	-	-	61,706
-	-	-	765,178
1,643,222	-	-	1,643,222
-	1,372,722	-	1,463,968
-	114,099	259,131	373,230
-	-	-	29,461
-	-	-	4,924
-	-	-	98,770
-	-	-	804,544
1,643,222	1,486,821	259,131	5,747,552
2,474,992	1,486,821	259,131	11,672,475

Union County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 5,747,552

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$26,607,245 and the accumulated depreciation is 11,182,158. 15,425,087

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. 215,129

The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 597,148

Pension and OPEB 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	\$ 872,668	
Deferred inflows of resources	<u>(167,896)</u>	704,772

Long-term liabilities, including capital lease purchase agreements payable, bonds and notes 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. (9,763,278)

Net position of governmental activities (page 18) \$ 12,926,410

See notes to financial statements.

Union 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	\$ 2,883,104	459,913	938,061	-
Local option sales tax	99,500	-	149,251	248,751
Interest and penalty on property tax	56,640	-	-	-
Intergovernmental	1,132,292	44,090	124,405	2,589,292
Licenses and permits	16,912	-	-	-
Charges for service	481,866	-	8,504	54,274
Use of money and property	66,240	-	-	-
Miscellaneous	53,353	-	-	-
Total revenues	<u>4,789,907</u>	<u>504,003</u>	<u>1,220,221</u>	<u>2,892,317</u>
Expenditures:				
Operating:				
Public safety and legal services	1,728,480	-	85,848	-
Physical health and social services	322,449	-	106,026	-
Mental health	-	495,155	-	-
County environment and education	1,075,871	-	101,119	-
Roads and transportation	-	-	184,281	3,783,871
Governmental services to residents	562,496	-	-	-
Administration	991,858	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	127,397
Total expenditures	<u>4,681,154</u>	<u>495,155</u>	<u>477,274</u>	<u>3,911,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>108,753</u>	<u>8,848</u>	<u>742,947</u>	<u>(1,018,951)</u>
Other financing sources (uses):				
Transfers in	-	-	-	892,221
Transfers out	(177,959)	-	(813,419)	-
General Obligation bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Total other financing sources (uses)	<u>(177,959)</u>	<u>-</u>	<u>(813,419)</u>	<u>892,221</u>
Change in fund balances	(69,206)	8,848	(70,472)	(126,730)
Fund balances beginning of year	<u>1,323,413</u>	<u>37,129</u>	<u>140,281</u>	<u>1,115,115</u>
Fund balances end of year	<u>\$ 1,254,207</u>	<u>45,977</u>	<u>69,809</u>	<u>988,385</u>

See notes to financial statements.

Debt Service	Capital Project	Nonmajor	Total
852,991		-	5,134,069
-	-	-	497,502
-	-	-	56,640
101,848	-	18,267	4,010,194
-	-	-	16,912
-	-	2,326	546,970
4,853	6,072	753	77,918
61,330	14,212	-	128,895
1,021,022	20,284	21,346	10,469,100
-	-	-	1,814,328
-	-	-	428,475
-	-	-	495,155
-	-	-	1,176,990
-	257,235	-	4,225,387
-	-	3,000	565,496
-	-	-	991,858
1,953,850	14,809	-	1,968,659
-	697,386	-	824,783
1,953,850	969,430	3,000	12,491,131
(932,828)	(949,146)	18,346	(2,022,031)
-	104,908	7,603	1,004,732
-	-	(13,354)	(1,004,732)
875,000	2,125,000	-	3,000,000
15,512	139,359	-	154,871
890,512	2,369,267	(5,751)	3,154,871
(42,316)	1,420,121	12,595	1,132,840
1,685,538	66,700	246,536	4,614,712
1,643,222	1,486,821	259,131	5,747,552

Union County

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

Year ended June 30, 2018

Change in fund balances - Total governmental funds (page 25) \$ 1,132,840

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 744,162	
Depreciation expense	<u>(1,112,992)</u>	(368,830)

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. 95,265

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	32,006	
Other	<u>37,041</u>	69,047

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(3,000,000)	
Repaid	<u>1,769,223</u>	(1,230,777)

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. 255,473

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	8,573	
OPEB expense	(21,918)	
Pension expense	(338,249)	
Interest on long-term debt	<u>878</u>	(350,716)

The Internal Service Fund is used by management to charge the costs of the self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 191,282

Change in net position of governmental activities (page 19) \$ (206,416)

See notes to financial statements.

Union County
Statement of Net Position
Proprietary Fund

June 30, 2018

	Internal Service - Employee Group Health
Current Assets	
Cash, cash equivalents and pooled investments	\$ 249,408
Cash held by health plan trustee	163,120
Account receivable	90,514
Prepaid expense	94,106
Total current assets	597,148
Current Liabilities	
None	-
Net Position	
Unrestricted	\$ 597,148

See notes to financial statements.

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

Year ended June 30, 2018

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,236,970
Reimbursements from employees and others	<u>51,066</u>
Total operating revenues	1,288,036
Operating expenses:	
Insurance premiums	<u>1,097,850</u>
Operating income	190,186
Non-operating revenues:	
Interest income	<u>1,096</u>
Net income	191,282
Net position beginning of year	<u>405,866</u>
Net position end of year	<u><u>\$ 597,148</u></u>
See notes to financial statements.	

Union County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2018

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,197,522
Cash paid to suppliers for services	(1,101,057)
Net cash provided by operating activities	96,465
Cash flows from investing activities:	
Interest on investments	1,151
Net increase in cash and cash equivalents	97,616
Cash and cash equivalents beginning of year	314,912
Cash and cash equivalents end of year	\$ 412,528
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 190,186
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in account receivable	(90,514)
Increase in prepaid expense	(3,207)
Net cash provided by operating activities	\$ 96,465

See notes to financial statements.

Union County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,599,580
Other County officials	46,205

Receivables:

Property tax:

Delinquent	241,450
Succeeding year	13,845,000

Accounts	25,224
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Special assessments	55,545
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Due from other governments	<u>57,729</u>
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Total assets	<u>16,870,733</u>
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Liabilities

Accounts payable	118,954
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Salaries and benefits payable	2,881
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Due to other governments	16,662,584
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Trusts payable	67,343
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Compensated absences	<u>18,971</u>
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Total liabilities	<u>16,870,733</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund 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 the investment in non-negotiable certificates of deposit which is stated at amortized cost.

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost 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
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, 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 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, Rural Services and Secondary Roads Funds.

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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 exceeded the amount budgeted in the capital projects function prior to the budget amendment. Disbursements in the debt service function exceeded the amount budgeted prior to the amendment and at year end. Also, disbursements in certain departments exceeded the amounts appropriated prior to amendment and at year end.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 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:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 86,404
	Special Revenue:	
	Rural Services	<u>805,817</u>
		<u>892,221</u>
Flood and Erosion	Rural Services	7,603
Capital Projects	General	91,554
	Special Revenue:	
	Resource Enhancement and Protection	<u>13,354</u>
Total		<u>\$ 1,004,732</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Construction in progress, road network	16,963	158,795	175,758	-
Total capital assets not being depreciated	270,582	158,795	175,758	253,619
Capital assets being depreciated:				
Buildings	2,310,986	-	-	2,310,986
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	4,928,474	809,632	614,726	5,123,380
Infrastructure, road network	18,695,300	175,758	-	18,871,058
Total capital assets being depreciated	25,982,962	985,390	614,726	26,353,626
Less accumulated depreciation for:				
Buildings	1,640,842	37,258	-	1,678,100
Improvements other than buildings	33,036	2,360	-	35,396
Equipment and vehicles	3,428,827	351,622	485,726	3,294,723
Infrastructure, road network	5,452,187	721,752	-	6,173,939
Total accumulated depreciation	10,554,892	1,112,992	485,726	11,182,158
Total capital assets being depreciated, net	15,428,070	(127,602)	129,000	15,171,468
Governmental activities capital assets, net	\$ 15,698,652	31,193	304,758	15,425,087

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 78,762
Physical health and social services	3,611
County environment and education	31,246
Roads and transportation	982,578
Administration	16,795
Total depreciation expense - governmental activities	<u>\$ 1,112,992</u>

In a prior year, the County acquired two motor graders and two tractors under capital lease purchase agreements. The cost of the equipment was \$609,547 and the accumulated depreciation at June 30, 2018 was \$222,223.

(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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 37,176
Special Revenue:		
Rural services	Services	3,076
Secondary Roads		<u>11,850</u>
		<u>14,926</u>
Total for governmental funds		<u>\$ 52,102</u>
Agency:		
County Assessor	Collections	\$ 631,741
County Hospital		1,093,511
Schools		8,393,431
Community Colleges		452,758
Corporations		3,520,489
Townships		198,866
Auto License and Use Tax		328,833
Prairie Solid Waste		1,167,436
All other		<u>875,519</u>
Total for agency funds		<u>\$ 16,662,584</u>

(6) Long-Term Liabilities

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

	<u>Capital</u>	<u>General</u>	<u>General</u>	<u>Bank</u>	<u>Compensated</u>	<u>Net</u>	<u>Total</u>	
	<u>Lease</u>	<u>Obligation</u>	<u>Obligation</u>	<u>Loan</u>	<u>Absences</u>	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
	<u>Purchase</u>	<u>Bonds</u>	<u>Disposal</u>			<u>Liability</u>	<u>Liability</u>	
	<u>Agreements</u>		<u>Notes</u>					
Balance beginning of year, as restated	\$ 176,871	4,405,000	900,000	40,704	218,507	2,243,035	393,231	8,377,348
Increases	-	2,125,000	875,000	-	193,491	60,080	111,455	3,365,026
Decreases	98,519	640,000	990,000	40,704	202,064	-	28,055	1,999,342
Balance end of year	<u>\$ 78,352</u>	<u>5,890,000</u>	<u>785,000</u>	<u>-</u>	<u>209,934</u>	<u>2,303,115</u>	<u>476,631</u>	<u>9,743,032</u>
Due within one year	<u>\$ 78,352</u>	<u>825,000</u>	<u>75,000</u>	<u>-</u>	<u>92,042</u>	<u>-</u>	<u>-</u>	<u>1,070,394</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease two Caterpillar motor graders and two tractors with historical costs of \$495,301 and \$114,246, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.50% to 2.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2018:

Year ending June 30,	Motor Graders
2019	\$ 79,478
	Less amount representing interest lease payments
	<u>\$ 78,354</u>

Payments under the capital lease purchase agreements totaled \$102,324 for the year ended June 30, 2018. During fiscal year 2018, the County made the final payment on the tractor lease agreement.

General Obligation Bonds

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

Year Ending June 30,	Roads and Bridges			Roads, Bridges and Litigation		
	Issued October 16, 2009			Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	5.75%	\$ 320,000	104,523	2.70%	285,000	59,045
2020	6.00	325,000	86,122	2.90	295,000	51,350
2021	6.15	345,000	66,623	3.10	310,000	42,795
2022	6.30	355,000	45,405	3.20	325,000	33,185
2023	6.40	360,000	23,040	3.30	335,000	22,785
2024-2025		-	-	3.40	345,000	11,730
Total		<u>\$ 1,705,000</u>	<u>325,713</u>		<u>\$ 1,895,000</u>	<u>220,890</u>

Year Ending June 30,	Roads and Refunding			Urban Renewal		
	Issued June 29, 2011			Issued July 24, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	2.40%	\$ 55,000	4,455	3.00%	165,000	63,750
2020	2.70	55,000	3,135	3.00	160,000	58,800
2021	3.00	55,000	1,650	3.00	165,000	54,000
2022		-	-	3.00	165,000	49,050
2023		-	-	3.00	170,000	44,100
2024-2025		-	-	3.00	1,300,000	159,600
Total		<u>\$ 165,000</u>	<u>9,240</u>		<u>\$ 2,125,000</u>	<u>429,300</u>

Total		
Principal	Interest	Total
\$ 825,000	231,773	1,056,773
835,000	199,407	1,034,407
875,000	165,068	1,040,068
845,000	127,640	972,640
865,000	89,925	954,925
<u>1,645,000</u>	<u>171,330</u>	<u>1,816,330</u>
<u>\$ 5,890,000</u>	<u>985,143</u>	<u>6,875,143</u>

During the year ended June 30, 2018, the County retired \$640,000 of general obligation bonds.

On August 7, 2017, the County issued \$3,000,000 general obligation urban renewal and refunding bonds, Series 2017 of which \$2,125,000 is to finance road and culvert improvements in the Union county road and bridge improvements Urban Renewal Area. The remaining \$875,000 is to currently refund the outstanding debt of the General Obligation Solid Waste Disposal Notes, Series 2007B. The County refunded the notes to reduce its total debt service payments by approximately \$25,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$97,862.

General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2018, the County issued \$875,000 of general obligation urban renewal and refunding bonds, Series 2017. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County, to refund the general obligation solid waste disposal notes, Series 2007B. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation refunding bonds as they come due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

A summary of the County’s June 30, 2018 general obligation solid waste disposal note indebtedness is as follows:

Year Ending June 30,	Refunding Bond Series			
	Issued July 24, 2017			
	Interest Rates	Principal	Interest	Total
2019	3.00%	\$ 75,000	38,584	113,584
2020	3.00	80,000	35,471	115,471
2021	3.00	85,000	32,321	117,321
2022	3.00	85,000	28,961	113,961
2023	3.00	85,000	25,391	110,391
2024-2028	3.00	375,000	67,602	442,602
Total		\$ 785,000	228,330	1,013,330

During the year ended June 30, 2018, the County retired \$90,000 of general obligation solid waste disposal notes.

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 were \$255,473.

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 \$2,303,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.034575%, which was a decrease of 0.001067% from its collective proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$338,249. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,365	30,672
Changes of assumptions	476,049	4,447
Net difference between projected and actual earnings on IPERS' investments	-	30,161
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	50,299	102,616
County contributions subsequent to the measurement date	255,473	-
Total	<u>\$ 811,186</u>	<u>167,896</u>

\$255,473 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	\$ 42,759
2020	207,663
2021	109,776
2022	(2,254)
2023	29,873
Total	<u>\$ 387,817</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	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	\$ 4,117,782	2,303,115	779,823

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(8) Other Postemployment Benefits (OPEB)

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	16
Active employees	<u>58</u>
Total	<u>74</u>

Total OPEB Liability – The County's total OPEB liability of \$476,631 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, 2017)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	2.50% per annum.
Discount rate (effective June 30, 2018)	3.58% compounded annually, net of investment expense, including inflation.
Healthcare cost trend rate	5.00% for fiscal year 2017

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	\$ 393,231
Changes for the year:	
Service cost	26,258
Interest	16,959
Differences between expected and actual experiences	79,095
Changes in assumptions	(10,857)
Benefit payments	(28,055)
Net changes	83,400
Total OPEB liability end of year	\$ 476,631

Changes of assumptions reflect a change in the discount rate from 4.50% 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	\$ 507,098	476,631	448,101

Sensitivity of the County’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 435,531	476,631	524,579

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$21,918. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 71,264
Changes in assumptions	(9,782)
Total	<u>\$ 61,482</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ 6,756
2020	6,756
2021	6,756
2022	6,756
2023	6,756
Thereafter	27,702
	<u>\$ 61,482</u>

(9) Risk Management

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County’s health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The Fund accounts for the collection of premiums from individuals and departments which are then paid to Employee Benefit Systems for the purchase of health insurance. The cash balance held by Employee Benefits Systems was \$163,120 at June 30, 2018.

At June 30, 2018, the County had an unrestricted net position of \$597,148 in the Employee Group Health Fund to cover future premium payments.

(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 grant 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 entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Creston	Urban renewal and economic development projects	\$ 1,129

(12) Jointly Governed Organization

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

Additions:		
Contributions from governmental units:		
Union County	\$ 99,260	
City of Creston	<u>78,674</u>	\$ 177,934
Miscellaneous		<u>20,495</u>
Total additions		198,429
Deductions:		
Bed, towels and prisoner articles	1,734	
Building improvements	7,196	
Cleaning/housekeeping	4,232	
Contractual services	20,827	
Electric	32,363	
Insurance and collision damage	2,466	
Office equipment and repair	36,812	
Printing and supplies	2,230	
Sanitation service	920	
Software support and maintenance	29,726	
Software upgrades	20,425	
Telephone	15,590	
Miscellaneous	<u>5,435</u>	<u>179,956</u>
Net		18,473
Balance beginning of year		<u>45,926</u>
Balance end of year		<u>\$ 64,399</u>

(13) Early Childhood Iowa Area Board

The County is the fiscal agent for the Quad Counties 4 Kids Early Childhood Area, the Early Childhood Iowa Area Board for Union, Adams, Ringgold and Taylor Counties, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2018 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 38,840	-	38,840
Quality improvement	-	53,286	53,286
Allocation for administration	2,044	10,230	12,274
School ready general use	-	277,485	277,485
Total state grants	40,884	341,001	381,885
Interest on investments	1,079	561	1,640
Total revenues	41,963	341,562	383,525
Expenditures:			
Program services:			
Early childhood	45,700	-	45,700
Quality improvement	-	53,253	53,253
School ready general use	-	282,414	282,414
Total program services	45,700	335,667	381,367
Administration	2,044	9,415	11,459
Total expenditures	47,744	345,082	392,826
Change in fund balance	(5,781)	(3,520)	(9,301)
Fund balance beginning of year	8,314	68,304	76,618
Fund balance end of year	\$ 2,533	64,784	67,317

(14) Southern Hills Regional Mental Health

The County is a member of Southern Hills Regional Mental Health, a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Adair, Adams, Taylor and Union Counties. Pursuant to the consortium agreement, the County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health for the year ended June 30, 2018, as follows:

Revenues:	
Property and other county tax	\$ 459,913
Intergovernmental:	
State tax credits	<u>44,090</u>
Total revenues	504,003
Expenditures:	
Distribution to the Region	<u>495,155</u>
Excess of expenditures over revenues	8,848
Fund balance beginning of year	<u>37,129</u>
Fund balance end of year	<u>\$ 45,977</u>

(15) Subsequent Event

In December 2018, the County issued \$9,470,000 of general obligation and refunding bonds, series 2018, for the purpose of acquiring emergency services communication equipment, financing the acquisition and remodeling of a building for the use of the County's Human Services Department and refunding the outstanding balance of the County's general obligation purpose bonds, series 2009A.

(16) Accounting Change/Restatement

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

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 12,882,057
Net OPEB obligation measured under previous standards	644,000
Total OPEB liability at June 30, 2017	<u>(393,231)</u>
Net position July 1, 2017, as restated	<u>\$ 13,132,826</u>

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 5,679,714	5,839,934	5,839,934	(160,220)
Interest and penalty on property tax	56,640	52,200	52,200	4,440
Intergovernmental	3,950,776	6,112,295	6,112,295	(2,161,519)
Licenses and permits	24,082	27,550	27,550	(3,468)
Charges for service	487,056	427,149	427,149	59,907
Use of money and property	82,980	39,250	39,250	43,730
Miscellaneous	160,611	117,100	117,100	43,511
Total receipts	<u>10,441,859</u>	<u>12,615,478</u>	<u>12,615,478</u>	<u>(2,173,619)</u>
Disbursements:				
Public safety and legal services	1,795,867	1,862,366	1,865,866	69,999
Physical health and social services	415,619	501,376	526,376	110,757
Mental health	495,155	496,156	496,156	1,001
County environment and education	1,176,446	3,638,972	3,648,972	2,472,526
Roads and transportation	3,689,006	3,758,993	4,114,493	425,487
Governmental services to residents	565,086	619,981	667,981	102,895
Administration	988,625	1,009,782	1,032,257	43,632
Debt service	1,947,505	834,723	1,854,655	(92,850)
Capital projects	1,085,383	235,000	2,302,272	1,216,889
Total disbursements	<u>12,158,692</u>	<u>12,957,349</u>	<u>16,509,028</u>	<u>4,350,336</u>
Excess (deficiency) of receipts over (under) disbursements	(1,716,833)	(341,871)	(3,893,550)	2,176,717
Other financing sources, net	3,368,447	-	3,113,203	255,244
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,651,614	(341,871)	(780,347)	2,431,961
Balance beginning of year	3,405,085	3,054,929	3,054,929	350,156
Balance end of year	<u>\$ 5,056,699</u>	<u>2,713,058</u>	<u>2,274,582</u>	<u>2,782,117</u>

See accompanying independent auditor's report.

Union 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	\$ 10,441,859	27,241	10,469,100
Expenditures	12,158,692	332,439	12,491,131
Net	(1,716,833)	(305,198)	(2,022,031)
Other financing sources, net	3,368,447	-	3,154,871
Beginning fund balances	3,405,085	1,209,627	4,614,712
Ending fund balances	<u>\$ 5,056,699</u>	<u>904,429</u>	<u>5,747,552</u>

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,551,679. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment. Disbursements in the debt service function exceeded the amount budgeted prior to the amendment and at year end. Also, disbursements in certain departments exceeded the amounts appropriated prior to the amendment and at year end.

Union County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.034575%	0.035642%	0.035565%	0.032056%
County's proportionate share of the net pension liability	\$ 2,303	2,243	1,757	1,271
County's covered payroll	\$ 3,056	2,957	2,894	2,711
County's proportionate share of the net pension liability as a percentage of its covered payroll	75.36%	75.85%	60.71%	46.9%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.91%	87.61%

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

See accompanying independent auditor's report.

Union County

Schedule of County Contributions

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

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 255	272	271	264
Contributions in relation to the statutorily required contribution	(255)	(272)	(271)	(264)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 2,878	3,056	2,957	2,894
Contributions as a percentage of covered payroll	8.86%	8.90%	9.16%	9.12%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
248	240	218	194	169	154
(248)	(240)	(218)	(194)	(169)	(154)
-	-	-	-	-	-
2,711	2,687	2,608	2,532	2,459	2,387
9.15%	8.93%	8.36%	7.66%	6.87%	6.45%

Union County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

Union 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	\$ 26,258
Interest cost	16,959
Difference between expected and actual experiences	79,095
Changes in assumptions	(10,857)
Benefit payments	(28,055)
Net change in total OPEB liability	83,400
Total OPEB liability beginning of year, as restated	393,231
Total OPEB liability end of year	\$ 476,631
Covered-employee payroll	\$ 2,803,458
Total OPEB liability as a percentage of covered-employee payroll	17.0%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Union County

Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

				Special
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	
Assets				
Cash, cash equivalents and pooled investments	\$ 27,188	102,864	17,969	17,969
Fund Balances				
Fund balances restricted for other purposes	\$ 27,188	102,864	17,969	17,969

See accompanying independent auditor's report.

Revenue

Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	Total
103,958	7,152	259,131
103,958	7,152	259,131

Union County

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

Year ended June 30, 2018

	Special		
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Revenues:			
Intergovernmental	\$ -	18,267	-
Charges for service	-	-	2,326
Use of money and property	-	337	66
Total revenues	-	18,604	2,392
Expenditures:			
Operating:			
Governmental services to residents	-	-	3,000
Excess (deficiency) of revenues over (under) expenditures	-	18,604	(608)
Other financing sources (uses):			
Transfers in	7,603	-	-
Transfers out	-	(13,354)	-
Total other financing sources (uses)	7,603	(13,354)	-
Change in fund balances	7,603	5,250	(608)
Fund balances beginning of year	19,585	97,614	18,577
Fund balances end of year	\$ 27,188	102,864	17,969

See accompanying independent auditor's report.

Revenue			
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust		Total
-	-		18,267
-	-		2,326
350	-		753
350	-		21,346
-	-		3,000
350	-		18,346
-	-		7,603
-	-		(13,354)
-	-		(5,751)
350	-		12,595
103,608	7,152		246,536
103,958	7,152		259,131

Union County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,376	279,239	10,267
Other County officials	46,205	-	-	-
Receivables:	-			
Property tax:				
Delinquent	-	2,251	5,403	16,244
Succeeding year	-	148,000	355,000	1,067,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 46,205	151,627	639,642	1,093,511
Liabilities				
Accounts payable	\$ -	-	1,078	-
Salaries and benefits payable	-	-	-	-
Due to other governments	30,706	151,627	631,741	1,093,511
Trusts payable	15,499	-	-	-
Compensated absences	-	-	6,823	-
Total liabilities	\$ 46,205	151,627	639,642	1,093,511

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
76,777	4,030	47,500	1,161	328,833	362,212	1,488,185	2,599,580
-	-	-	-	-	-	-	46,205
124,654	6,728	26,989	3,705	-	-	55,476	241,450
8,192,000	442,000	3,446,000	194,000	-	-	1,000	13,845,000
-	-	-	-	-	-	25,224	25,224
-	-	-	-	-	-	55,545	55,545
-	-	-	-	-	45,509	12,220	57,729
8,393,431	452,758	3,520,489	198,866	328,833	407,721	1,637,650	16,870,733
-	-	-	-	-	43,931	73,945	118,954
-	-	-	-	-	-	2,881	2,881
8,393,431	452,758	3,520,489	198,866	328,833	363,790	1,496,832	16,662,584
-	-	-	-	-	-	51,844	67,343
-	-	-	-	-	-	12,148	18,971
8,393,431	452,758	3,520,489	198,866	328,833	407,721	1,637,650	16,870,733

Union County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

Assets and Liabilities	Agricultural			
	County Offices	Extension Education	County Assessor	County Hospital
Balances beginning of year	\$ 49,931	146,558	538,868	1,091,761
Additions:				
Property and other county tax	-	148,822	358,337	1,075,496
State tax credits	-	13,520	31,572	100,918
Contract law enforcement	-	-	-	-
Office fees and collections	250,891	-	36	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	183,807	-	-	-
Miscellaneous	4,082	181	26,721	1,411
Total additions	438,780	162,523	416,666	1,177,825
Deductions:				
Agency remittances:	-			
To other funds	57,848	-	-	-
To other governments	194,778	157,454	315,892	1,176,075
Trusts paid out	189,880	-	-	-
Total deductions	442,506	157,454	315,892	1,176,075
Balances end of year	\$ 46,205	151,627	639,642	1,093,511

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
8,088,374	428,370	3,399,163	198,414	371,911	452,346	1,521,859	16,287,555
8,255,548	445,538	3,333,857	199,897	-	-	74,962	13,892,457
750,787	39,612	433,304	11,969	-	-	140	1,381,822
-	-	-	-	-	-	184,779	184,779
-	-	-	-	-	-	2,326	253,253
-	-	-	-	3,477,576	-	-	3,477,576
-	-	-	-	-	-	1,008	1,008
-	-	-	-	-	-	240,552	424,359
10,019	527	7,155	65	-	996,042	2,848,224	3,894,427
9,016,354	485,677	3,774,316	211,931	3,477,576	996,042	3,351,991	23,509,681
-	-	-	-	38,129	-	-	95,977
8,711,297	461,290	3,652,990	211,479	3,482,525	1,040,667	3,236,199	22,640,646
-	-	-	-	-	-	-	189,880
8,711,297	461,290	3,652,990	211,479	3,520,654	1,040,667	3,236,199	22,926,503
8,393,431	452,757	3,520,489	198,866	328,833	407,721	1,637,651	16,870,733

Union County

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

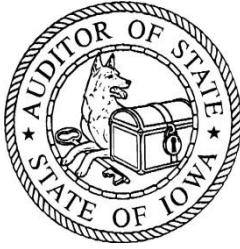
For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 5,134,069	5,071,444	5,066,042	5,182,423
Local option sales tax	497,502	553,749	451,896	587,413
Tax increment financing	-	140,680	308,591	288,563
Interest and penalty on property tax	56,640	57,886	58,665	62,948
Intergovernmental	4,010,194	5,097,089	6,779,436	10,217,589
Licenses and permits	16,912	31,811	73,304	20,845
Charges for service	546,970	463,751	484,337	455,668
Use of money and property	77,918	71,730	59,838	69,516
Miscellaneous	128,895	220,924	158,576	275,373
Total	<u>\$ 10,469,100</u>	<u>11,709,064</u>	<u>13,440,685</u>	<u>17,160,338</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,814,328	1,658,968	1,621,213	1,649,294
Physical health and social services	428,475	443,101	427,515	430,690
Mental health	495,155	509,478	979,306	1,193,629
County environment and education	1,176,990	2,241,917	3,873,296	6,890,858
Roads and transportation	4,225,387	3,602,147	3,577,262	3,449,120
Governmental services to residents	565,496	508,561	446,887	482,639
Administration	991,858	946,068	941,218	1,005,986
Debt service	1,968,659	1,444,052	1,451,675	1,497,622
Capital projects	824,783	307,356	421,223	165,610
Total	<u>\$ 12,491,131</u>	<u>11,661,648</u>	<u>13,739,595</u>	<u>16,765,448</u>

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
5,302,989	5,440,676	5,376,869	5,177,278	4,730,902	4,624,103
485,770	515,784	502,850	486,999	495,017	474,595
285,865	297,725	310,545	315,704	310,547	293,218
56,498	60,098	61,773	58,557	51,457	52,064
4,682,565	3,473,821	3,968,364	4,432,018	3,629,213	4,741,556
14,810	15,258	18,095	22,890	19,493	20,950
508,295	510,127	502,703	477,813	436,993	433,511
51,482	52,924	135,110	194,032	227,601	100,943
407,127	303,343	321,018	396,255	283,701	120,294
11,795,401	10,669,756	11,197,327	11,561,546	10,184,924	10,861,234
1,605,836	1,526,248	1,484,649	1,363,225	1,320,323	1,220,634
430,704	460,746	434,188	473,928	479,184	450,182
702,457	878,989	1,967,367	1,838,463	1,169,979	1,753,031
2,566,041	438,914	716,735	1,185,301	615,643	465,943
3,695,527	3,216,281	3,449,510	4,547,039	4,004,056	2,759,160
433,867	451,160	433,577	398,113	402,881	359,967
1,023,940	957,327	899,154	1,583,489	937,510	815,146
1,539,439	1,691,998	4,546,564	1,813,452	1,528,855	808,264
291,764	791,975	1,190,972	6,386,417	1,032,421	638,392
12,289,575	10,413,638	15,122,716	19,589,427	11,490,852	9,270,719

**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**



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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 Union County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 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 29, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Union County's Responses to the Findings

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

Purpose of this Report

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

May 29, 2019

Union County
 Schedule of Findings
 Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

	<u>Applicable Offices</u>
(1) All employees have access to the change fund.	Recorder and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash.	Recorder, Sheriff and Treasurer
(3) Responsibilities for opening mail, collection, deposit preparation, and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder, Sheriff and Treasurer
(4) 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’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Union County
Schedule of Findings
Year ended June 30, 2018

Responses –

County Treasurer – A small staff within the Treasurer’s Office makes it difficult for all duties to be segregated. However, we will use all resources available and follow best practices to delegate duties to the best of our ability.

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

County Recorder – Lack of staff makes it difficult to segregate these duties. However, we will use all resources available and follow best practices to delegate to the best of our ability.

County Sheriff – Whenever possible I open the mail, record checks on a varying schedule, and then give the civil clerk the checks for processing. However there are occasions that prevent this from happening as there are only myself, Chief Deputy Maitlen, and the civil clerk working in this office.

Conclusions – Responses acknowledged. County officials should continue to review their operating procedures to obtain the maximum internal control where possible.

(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 capital assets and receivables were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Recommendation – The County should implement procedures to ensure all receivables and capital assets are properly recorded and included in the County’s financial statements.

Union County

Schedule of Findings

Year ended June 30, 2018

Response – During the fiscal year Union County had a conversion of our tax and financial software. This conversion resulted in learning new programs/procedures and subsequent adjustment and errors being detected throughout the process. This has not been a recurring issue in the County, therefore, no policy/procedures have been established. We will review and establish a policy where deemed necessary. Also, clerks who collect and receipt funds will review transactions to ensure the correct fiscal year is noted.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Union County
Schedule of Findings
Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the capital projects function before the budget was amended. Disbursements in the debt service function exceeded the amount budgeted prior to the budget amendment and at year end. Also, disbursements in certain departments exceeded the amounts appropriated prior to amendment and at year end.

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

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

Response – We will continue to monitor the departments and functions of the budget and ensure amendments are done prior disbursements exceeding either the amounts appropriated or amounts budgeted.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Union County

Schedule of Findings

Year ended June 30, 2018

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

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

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

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

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was not certified to the Iowa Department of Management on or before December 1.

Response – This was the County's final report as we were done with TIF in fiscal year 2017. We were unaware a final report was required. We will ensure future reports, if necessary, are filed timely.

Conclusion – Response accepted.

Union County

Staff

This audit was performed by:

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