

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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 20, 2019

Contact: Marlys Gaston
515/ 281-5834

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

The County had local tax revenue of \$33,995,068 for the year ended June 30, 2018, which included \$3,223,777 in tax credits from the state. The County forwarded \$26,754,543 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,240,525 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$2,942,107, operating grants and contributions of \$4,470,263, capital grants and contributions of \$1,180,380, local option sales tax of \$1,047,944, unrestricted investment earnings of \$159,801 and other general revenues of \$457,690.

Expenses for County operations for the year ended June 30, 2018 totaled \$17,351,820, a less than one percent decrease from the prior year. Expenses included \$7,207,643 for roads and transportation, \$3,969,504 for public safety and legal services and \$1,685,262 for administration.

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

###

CARROLL COUNTY

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

JUNE 30, 2018

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Rob Sand
Auditor of State

June 11, 2019

Officials of Carroll County
Carroll, Iowa

Dear Board Members:

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

Table of Contents

		<u>Page</u>
Officials		5
Independent Auditor’s Report		7-9
Management’s Discussion and Analysis		11-18
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	21
Statement of Activities	B	22-23
Governmental Fund Financial Statements:		
Balance Sheet	C	24-25
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	27
Statement of Revenues, Expenditures and Changes in Fund Balances	E	28-29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	30
Proprietary Fund Financial Statements:		
Statement of Net Position	G	31
Statement of Revenues, Expenses and Changes in Fund Net Position	H	32
Statement of Cash Flows	I	33
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	34
Notes to Financial Statements		35-56
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		58-59
Budget to GAAP Reconciliation		61
Notes to Required Supplementary Information – Budgetary Reporting		62
Schedule of the County’s Proportionate Share of the Net Pension Liability		63
Schedule of County Contributions		64-65
Notes to Required Supplementary Information – Pension Liability		66
Schedule of Changes in the County’s Total OPEB Liability, Related Ratios and Notes		67
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	70-71
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	72-73
Nonmajor Proprietary Funds:		
Combining Schedule of Net Position	3	74
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4	75
Combining Schedule of Cash Flows	5	77
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	78-79
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	80-81
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	82-83

Table of Contents (continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	85-86
Schedule of Findings	87-95
Staff	96

Carroll County

Carroll County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty Danzer	Board of Supervisors	Jan 2019
Dean Schettler	Board of Supervisors	Jan 2019
Neil Bock	Board of Supervisors	Jan 2021
Eugene Meiners	Board of Supervisors	Jan 2021
Richard Ruggles	Board of Supervisors	Jan 2021
Kourtney Irlbeck	County Auditor	Jan 2021
Jean Seidl	County Treasurer	Jan 2019
Marilyn Dopheide	County Recorder	Retired Jan 2018
Kathy Schwaller (Appointed Jan 2018)	County Recorder	Nov 2018
Ken Pingrey	County Sheriff	Jan 2021
John Werden	County Attorney	Jan 2019
Cindy Heuton	County Assessor	Jan 2022

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Carroll County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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, Carroll 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 11 through 18 and 58 through 67 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 Carroll County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 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 June 11, 2019 on our consideration of Carroll County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Carroll County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

June 11, 2019

Carroll County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$815,144 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities decreased 2.3%, or approximately \$413,000, from fiscal year 2017 to fiscal year 2018. Capital grants and contributions decreased approximately \$613,000, operating grants and contributions decreased approximately \$401,000, charges for service increased approximately \$523,000 and property and other county tax increased approximately \$47,000.
- Governmental activities expenses decreased less than one percent, or approximately \$164,000, in fiscal year 2018 from fiscal year 2017. Roads and transportation expenses decreased approximately \$125,000, public safety and legal services expenses increased approximately \$181,000 and administration expenses decreased approximately \$243,000.
- Governmental activities net position increased less than one percent, or approximately \$163,000, over the restated June 30, 2017 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Carroll 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 Carroll 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 Carroll 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, the nonmajor proprietary 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 and 3) 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 governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Proprietary funds account for the County’s Enterprise, Mt. Carmel Sewer and Maple River Sewer Funds and the 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. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Carroll County’s combined net position decreased from a year ago, from approximately \$45.2 million to approximately \$44.6 million. The analysis that follows focuses on the changes in net position, prior to restatement.

Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities June 30,		Business Type Activities June 30,		Total June 30,	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
Current and other assets	\$ 18,934	18,465	47	51	18,981	18,516
Capital assets	37,016	36,974	851	877	37,867	37,851
Total assets	55,950	55,439	898	928	56,848	56,367
Deferred outflows of resources	2,053	1,471	-	-	2,053	1,471
Long-term liabilities	5,991	4,453	271	289	6,262	4,742
Other liabilities	518	510	8	3	526	513
Total liabilities	6,509	4,963	279	292	6,788	5,255
Deferred inflows of resources	6,879	6,680	-	-	6,879	6,680
Net position:						
Net investment in capital assets	36,949	36,896	579	588	37,528	37,484
Restricted	8,457	8,031	-	-	8,457	8,031
Unrestricted	(791)	340	40	48	(751)	388
Total net position	\$ 44,615	45,267	619	636	45,234	45,903

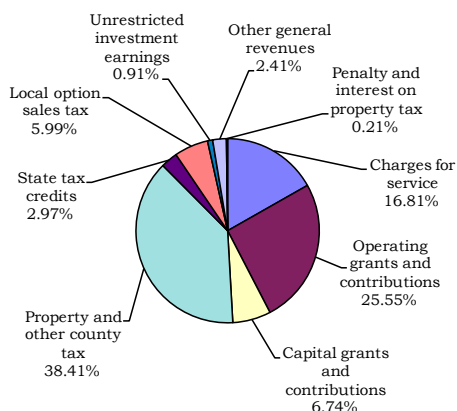
Prior to restatement, net position of Carroll County’s governmental activities decreased 1.4% (from approximately \$45.3 million to approximately \$44.6 million). The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$426,000, or 5.3%, over the prior year.

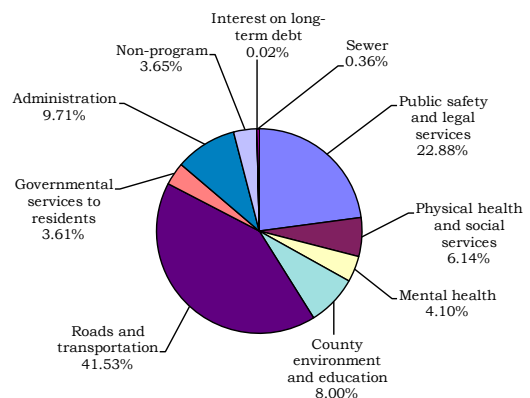
Unrestricted governmental activities net position – the part of governmental activities net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$340,000 at June 30, 2017 to a deficit of approximately \$791,000 at the end of this year, a decrease of 332.6%. The unrestricted governmental activities net position deficit is due to reporting the net pension liability and the total OPEB liability.

Changes in Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities June 30,		Business Type Activities June 30,		Total June 30,	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
Revenues:						
Program revenues:						
Charges for service	\$ 2,894	2,371	48	50	2,942	2,421
Operating grants and contributions	4,470	4,871	-	-	4,470	4,871
Capital grants and contributions	1,180	1,793	-	-	1,180	1,793
General revenues:						
Property and other county tax	6,720	6,673	-	-	6,720	6,673
Penalty and interest on property tax	37	37	-	-	37	37
State tax credits	520	524	-	-	520	524
Local option sales tax	1,048	1,051	-	-	1,048	1,051
Unrestricted investment earnings	160	115	-	-	160	115
Other general revenues	421	428	-	-	421	428
Total revenues	17,450	17,863	48	50	17,498	17,913
Program expenses:						
Public safety and legal services	3,970	3,789	-	-	3,970	3,789
Physical health and social services	1,066	1,076	-	-	1,066	1,076
Mental health	711	903	-	-	711	903
County environment and education	1,388	1,312	-	-	1,388	1,312
Roads and transportation	7,208	7,333	-	-	7,208	7,333
Governmental services to residents	626	584	-	-	626	584
Administration	1,685	1,928	-	-	1,685	1,928
Non-program	633	524	-	-	633	524
Interest on long-term debt	3	5	-	-	3	5
Sewer	-	-	62	52	62	52
Total expenses	17,290	17,454	62	52	17,352	17,506
Transfers, net	3	3	(3)	(3)	-	-
Change in net position	163	412	(17)	(5)	146	407
Net position beginning of year, as restated	44,452	44,855	636	641	45,088	45,496
Net position end of year	\$ 44,615	45,267	619	636	45,234	45,903

Revenues by Source



Expenses by Program



Carroll County's governmental activities net position increased approximately \$163,000 over the restated June 30, 2017 balance. Revenues for governmental activities decreased approximately \$413,000 compared to the prior year, with capital grants and contributions decreasing approximately \$613,000 from the prior year. The decrease in capital grants and contributions is primarily the result of completion of road and bridge projects paid for by the Iowa Department of Transportation and federal grant proceeds in fiscal year 2017. The County's operating grants and contributions decreased approximately \$401,000 and property and other county tax increased approximately \$47,000. Operating grants and contributions decreased due to the County ending case management services in fiscal year 2017, which accounted for approximately \$234,000 of the decrease.

The cost of all governmental activities this year was approximately \$17.3 million compared to approximately \$17.5 million last year. However, as shown in the Statement of Activities on pages 22 and 23, the amount taxpayers ultimately financed for these activities was approximately \$8.7 million because some of the cost was paid by those who directly benefited from the programs (approximately \$2,894,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,650,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased from approximately \$9,035,000 in fiscal year 2017 to approximately \$8,544,000 in fiscal year 2018, principally due to a decrease in federal grant proceeds for road 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 entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Carroll County completed the year, its governmental funds reported a combined fund balance of approximately \$10.88 million, an increase of approximately \$467,000 over last year's total of approximately \$10.41 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$783,000, primarily due to decreases in property and other county tax and intergovernmental revenues. Expenditures decreased approximately \$27,000 due to decreased spending in public safety and legal services and physical health and social service funds functions. The ending fund balance increased approximately \$50,000.
- Special Revenue, Mental Health Fund revenues increased approximately \$728,000, due to property taxes being levied for in fiscal year 2018. Expenditures increased approximately \$1,000 over the prior year. The Special Revenue, Mental Health Fund balance increased approximately \$85,000 over the prior year to approximately \$197,000 at year end.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$176,000 from the prior year to approximately \$398,000. The amount of local option sales tax (LOST) revenue allocated for rural services was approximately \$524,000, a decrease of approximately \$1,500 from the prior year. Rural Services Fund expenditures increased approximately \$169,000 compared to the prior year.
- Special Revenue, Secondary Roads Fund revenue decreased approximately \$531,000. Expenditures decreased approximately \$1,035,000 from the prior year, primarily due to a decrease in road and bridge projects paid for by the County. The Secondary Roads Fund balance increased approximately \$540,000 to approximately \$4,279,000 at year end.
- Special Revenue, Local Option Sales Tax Fund transfers out increased \$760,000 over the prior year. Transfers were made to the General Fund in fiscal year 2018 to offset the decrease to the General Basic and General Supplemental tax levy rates because of the mental health levy. The Local Option Sales Tax Fund balance decreased approximately \$219,000 to approximately \$3,155,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Carroll County amended its budget two times. The first amendment was made in September 2017 and resulted in an increase in budgeted disbursements of approximately \$30,000, related primarily to the purchase of a vehicle for the sanitarian department.

The second amendment was made in February 2018. This amendment was made to increase budgeted disbursements approximately \$312,000 and budgeted receipts approximately \$89,000. The County received an Emergency Preparedness Coalition grant and the budget was amended to reflect the receipt and corresponding disbursements. Budgeted disbursements also increased due to additional conservation projects and dump truck repairs.

The County's receipts were approximately \$454,000 more than budgeted. Property tax receipts were approximately \$213,000 more than budgeted, charges for service receipts were approximately \$128,000 more than budgeted, intergovernmental receipts were approximately \$121,000 less than budgeted, primarily due to road projects being finished early and under budget, and miscellaneous receipts were approximately \$199,000 more than budgeted.

Total disbursements were approximately \$1,756,000 less than the final amended budget. Actual disbursements for roads and transportation, public safety and legal services, capital projects, physical health and social services and mental health were approximately \$164,000, \$199,000, \$814,000, \$130,000 and \$279,000, respectively, less than budgeted.

In the roads and transportation function, disbursements were approximately \$164,000 less than budgeted primarily due to less roadway construction projects than expected.

Public safety and legal services function disbursements were approximately \$199,000 less than the amount budgeted, primarily due to staffing changes in the Sheriff department and a reduction in law enforcement communications.

Capital projects function disbursements were approximately \$814,000 less than budgeted as some of the projects were not completed or started as anticipated in fiscal year 2018.

Physical health and social services function disbursements were approximately \$130,000 less than budgeted, primarily due to a reduction in disbursements in the human services department.

Mental health function disbursements were approximately \$279,000 less than budgeted, primarily due to changes in the mental health department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Carroll County had approximately \$37 million invested in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of approximately \$42,000, or less than one percent, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 1,891	1,829
Buildings	3,808	3,556
Improvements other than buildings	652	677
Equipment and vehicles	4,453	4,214
Infrastructure	26,206	24,940
Construction in progress	6	1,758
Total	\$ 37,016	36,974

The County had governmental activities depreciation expense of approximately \$2,220,000 in fiscal year 2018 and total accumulated depreciation of approximately \$36,846,000 at June 30, 2018.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2018, Carroll County had \$66,319 in debt outstanding, compared to \$78,453 in debt outstanding at June 30, 2017.

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. Carroll County's constitutional debt limit is approximately \$114.1 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Carroll County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County in June 2018 was 2.0% versus 2.5% the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2019. Amounts available for appropriation in the operating budget are approximately \$17.2 million, an increase of 1.6% from the final fiscal year 2018 budget. The County added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,844,000 by the close of fiscal year 2019.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Carroll 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 Carroll County Auditor's Office, 114 E. 6th Street, Carroll, Iowa 51401.

Basic Financial Statements

Carroll County

Carroll County
Statement of Net Position
June 30, 2018

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 9,111,120	43,503	9,154,623
Conservation Foundation	83,021	-	83,021
Receivables:			
Property tax:			
Delinquent	4,813	-	4,813
Succeeding year	6,695,000	-	6,695,000
Interest and penalty on property tax	72,786	-	72,786
Accounts, net of allowance for doubtful accounts of \$169,854	137,578	4,067	141,645
Accrued interest	24,267	-	24,267
Internal balances	271,292	(271,292)	-
Due from other governments	588,901	-	588,901
Inventories	1,804,893	-	1,804,893
Prepaid expenses	140,311	-	140,311
Capital assets - nondepreciable	1,897,560	25,500	1,923,060
Capital assets - depreciable, net of accumulated depreciation	35,118,105	825,477	35,943,582
Total assets	55,949,647	627,255	56,576,902
Deferred Outflows of Resources			
Pension related deferred outflows	1,515,037	-	1,515,037
OPEB related deferred outflows	538,435	-	538,435
Total deferred outflows of resources	2,053,472	-	2,053,472
Liabilities			
Accounts payable	476,886	7,763	484,649
Salaries and benefits payable	27,040	-	27,040
Due to other governments	14,077	-	14,077
Long-term liabilities:			
Portion due or payable within one year:			
Installment purchase agreement	66,319	-	66,319
Compensated absences	243,881	-	243,881
Portion due or payable after one year:			
Compensated absences	30,656	-	30,656
Net pension liability	3,816,631	-	3,816,631
Total OPEB liability	1,833,876	-	1,833,876
Total liabilities	6,509,366	7,763	6,517,129
Deferred Inflows of Resources			
Unavailable property tax revenue	6,695,000	-	6,695,000
Pension related deferred inflows	183,537	-	183,537
Total deferred inflows of resources	6,878,537	-	6,878,537
Net Position			
Net investment in capital assets	36,949,346	579,685	37,529,031
Restricted for:			
Supplemental levy purposes	266,127	-	266,127
Mental health purposes	198,160	-	198,160
Rural services purposes	389,736	-	389,736
Secondary roads purposes	4,166,098	-	4,166,098
Capital projects	40,132	-	40,132
Other purposes	3,396,901	-	3,396,901
Unrestricted	(791,284)	39,807	(751,477)
Total net position	\$ 44,615,216	619,492	45,234,708

See notes to financial statements.

Carroll County

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,969,504	1,268,389	297,922	5,700
Physical health and social services	1,065,762	180,400	212,149	-
Mental health	711,358	-	12,249	-
County environment and education	1,388,409	268,942	15,700	153,255
Roads and transportation	7,207,643	249,597	3,822,839	1,021,425
Governmental services to residents	626,191	422,451	-	-
Administration	1,685,262	11,015	-	-
Non-program	633,438	493,495	109,404	-
Interest on long-term debt	2,508	-	-	-
Total governmental activities	17,290,075	2,894,289	4,470,263	1,180,380
Business type activities:				
Sewer	61,745	47,818	-	-
Total	\$ 17,351,820	2,942,107	4,470,263	1,180,380

General Revenues and Transfers:

Property and other county tax levied for general purposes

Tax increment financing

Penalty and interest on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Gain on disposition of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position beginning of year, as restated

Net position end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,397,493)	-	(2,397,493)
(673,213)	-	(673,213)
(699,109)	-	(699,109)
(950,512)	-	(950,512)
(2,113,782)	-	(2,113,782)
(203,740)	-	(203,740)
(1,674,247)	-	(1,674,247)
(30,539)	-	(30,539)
(2,508)	-	(2,508)
(8,745,143)	-	(8,745,143)
-	(13,927)	(13,927)
(8,745,143)	(13,927)	(8,759,070)
\$ 6,586,364	-	6,586,364
133,574	-	133,574
36,738	-	36,738
520,587	-	520,587
1,047,944	-	1,047,944
159,801	53	159,854
353,333	-	353,333
67,619	-	67,619
2,809	(2,809)	-
8,908,769	(2,756)	8,906,013
163,626	(16,683)	146,943
44,451,590	636,175	45,087,765
\$ 44,615,216	619,492	45,234,708

Carroll County
Balance Sheet
Governmental Funds

June 30, 2018

Assets	Special		
	General	Mental Health	Rural Services
Current assets:			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 2,618,941	196,713	346,981
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	4,086	727	-
Succeeding year	4,809,000	580,000	1,306,000
Interest and penalty on property tax	72,786	-	-
Accounts (net of allowance for doubtful accounts of \$169,854)	137,178	-	-
Accrued interest	23,180	-	-
Due from other funds	-	-	-
Due from other governments	173,725	5,695	61,620
Inventories	-	-	-
Prepaid expenditures	132,023	-	-
Non current assets:			
Due from other funds/advances to other funds	-	-	-
Total assets	\$ 7,970,919	783,135	1,714,601
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 93,056	1,238	6,897
Salaries and benefits payable	22,580	1,829	1,067
Advance from other funds	-	-	-
Due to other funds	4,360	-	2,655
Due to other governments	13,356	-	-
Total liabilities	133,352	3,067	10,619
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	4,809,000	580,000	1,306,000
Other	175,555	3,344	-
Total deferred inflows of resources	4,984,555	583,344	1,306,000
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	132,023	-	-
Restricted for:			
Supplemental levy purposes	289,710	-	-
Mental health purposes	-	196,724	-
Rural services purposes	-	-	397,982
Secondary roads purposes	-	-	-
Other purposes	-	-	-
Assigned for:			
County Attorney fine collections	60,577	-	-
Capital projects and equipment	-	-	-
Unassigned	2,370,702	-	-
Total fund balances	2,853,012	196,724	397,982
Total liabilities, deferred inflows of resources and fund balances	\$ 7,970,919	783,135	1,714,601

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
2,254,331	2,367,721	384,021	8,168,708
-	-	83,021	83,021
-	-	-	4,813
-	-	-	6,695,000
-	-	-	72,786
400	-	-	137,578
-	-	-	23,180
7,015	17,868	-	24,883
296,193	43,710	7,958	588,901
1,804,893	-	-	1,804,893
8,288	-	-	140,311
-	725,806	-	725,806
<u>4,371,120</u>	<u>3,155,105</u>	<u>475,000</u>	<u>18,469,880</u>
89,408	-	9,834	200,433
1,564	-	-	27,040
-	-	472,382	472,382
-	-	-	7,015
721	-	-	14,077
<u>91,693</u>	<u>-</u>	<u>482,216</u>	<u>720,947</u>
-	-	-	6,695,000
-	-	-	178,899
-	-	-	<u>6,873,899</u>
1,804,893	-	-	1,804,893
8,288	-	-	140,311
-	-	-	289,710
-	-	-	196,724
-	-	-	397,982
2,466,246	-	-	2,466,246
-	3,155,105	221,351	3,376,456
-	-	-	60,577
-	-	243,815	243,815
-	-	(472,382)	1,898,320
<u>4,279,427</u>	<u>3,155,105</u>	<u>(7,216)</u>	<u>10,875,034</u>
<u>4,371,120</u>	<u>3,155,105</u>	<u>475,000</u>	<u>18,469,880</u>

Carroll County

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

June 30, 2018

Total governmental fund balances (page 25) \$ 10,875,034

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$73,861,532 and the accumulated depreciation is \$36,845,867. 37,015,665

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. 178,899

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 667,046

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	\$ 2,053,472	
Deferred inflows of resources	<u>(183,537)</u>	1,869,935

Long-term liabilities, including installment purchase agreement payable, compensated absences payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,991,363)

Net position of governmental activities (page 21) \$ 44,615,216

See notes to financial statements.

Carroll County

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

Year ended June 30, 2018

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,053,091	721,168	1,811,840
Local option sales tax	-	-	523,972
Interest and penalty on property tax	31,058	-	-
Tax increment financing	-	-	-
Intergovernmental	904,266	74,435	179,839
Licenses and permits	19,756	-	745
Charges for service	1,824,016	-	-
Use of money and property	150,468	-	-
Miscellaneous	95,221	-	-
Total revenues	7,077,876	795,603	2,516,396
Expenditures:			
Operating:			
Public safety and legal services	3,180,973	-	542,945
Physical health and social services	1,015,456	-	-
Mental health	-	710,410	-
County environment and education	940,270	-	164,145
Roads and transportation	-	-	25,000
Governmental services to residents	584,265	-	-
Administration	1,759,581	-	-
Non-program	62,756	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	7,543,301	710,410	732,090
Excess (deficiency) of revenues over (under) expenditures	(465,425)	85,193	1,784,306
Other financing sources (uses):			
Installment purchase agreement	76,319	-	-
Transfers in	760,000	-	-
Transfers out	(321,006)	-	(1,960,045)
Total other financing sources (uses)	515,313	-	(1,960,045)
Change in fund balances	49,888	85,193	(175,739)
Fund balances (deficit) beginning of year	2,803,124	111,531	573,721
Fund balances (deficit) end of year	\$ 2,853,012	196,724	397,982

See notes to financial statements.

Revenue			
Secondary Roads	Local Option Sales Tax	Nonmajor	Total
-	-	-	6,586,099
-	523,972	-	1,047,944
-	-	-	31,058
-	-	133,574	133,574
3,972,375	-	93,094	5,224,009
13,570	-	-	34,071
-	-	77,762	1,901,778
-	-	46,879	197,347
311,393	1,320	36,360	444,294
4,297,338	525,292	387,669	15,600,174
-	-	-	3,723,918
-	-	-	1,015,456
-	-	-	710,410
-	5,000	126,644	1,236,059
5,842,193	-	-	5,867,193
-	-	8,025	592,290
-	-	-	1,759,581
-	-	-	62,756
-	-	80,961	80,961
98,616	-	64,924	163,540
5,940,809	5,000	280,554	15,212,164
(1,643,471)	520,292	107,115	388,010
-	-	-	76,319
2,183,516	20,814	97,535	3,061,865
-	(760,000)	(18,005)	(3,059,056)
2,183,516	(739,186)	79,530	79,128
540,045	(218,894)	186,645	467,138
3,739,382	3,373,999	(193,861)	10,407,896
4,279,427	3,155,105	(7,216)	10,875,034

Carroll 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 29) \$ 467,138

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

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

Expenditures for capital assets	\$ 1,019,212	
Capital assets contributed by other governments	1,174,680	
Depreciation expense	<u>(2,220,084)</u>	(26,192)

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. 67,619

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	265	
Other	<u>88,855</u>	89,120

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

Issued	(76,319)	
Repaid	<u>88,453</u>	12,134

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 513,690

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	54,336	
OPEB expense	(124,959)	
Pension expense	<u>(674,699)</u>	(745,322)

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (214,561)

Change in net position of governmental activities (page 23) \$ 163,626

See notes to financial statements.

Carroll County
Statement of Net Position
Proprietary Funds

June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise - Nonmajor	Internal Service - Employee Group Health
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 43,503	942,412
Receivables:		
Accounts	4,067	-
Accrued interest	-	1,087
Capital assets, net of accumulated depreciation	850,977	-
Total assets	<u>898,547</u>	<u>943,499</u>
Liabilities		
Current liabilities:		
Accounts payable	7,763	276,453
Due to other funds	17,868	-
Long-term liabilities:		
Advances from other funds	253,424	-
Total liabilities	<u>279,055</u>	<u>276,453</u>
Net Position		
Net investment in capital assets	579,685	-
Unrestricted	39,807	667,046
Total net position	<u>\$ 619,492</u>	<u>667,046</u>

See notes to financial statements.

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

Year ended June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise - Nonmajor	Internal Service - Employee Group Health
Operating revenues:		
Reimbursements from operating funds	\$ -	1,391,223
Reimbursements from others	-	259,567
Reimbursements from employees	-	243,578
Charges for service	47,818	-
Total operating revenues	<u>47,818</u>	<u>1,894,368</u>
Operating expenses:		
Medical claims	-	2,042,729
Administrative fees	-	75,011
Depreciation	26,160	-
Miscellaneous	34,265	-
Total operating expenses	<u>60,425</u>	<u>2,117,740</u>
Operating loss	<u>(12,607)</u>	<u>(223,372)</u>
Non-operating revenues (expenses):		
Interest income	53	8,811
Miscellaneous	(1,320)	-
Total non-operating revenues (expenses)	<u>(1,267)</u>	<u>8,811</u>
Net loss	(13,874)	(214,561)
Transfers out	(2,809)	-
Change in net position	(16,683)	(214,561)
Net position beginning of year	<u>636,175</u>	<u>881,607</u>
Net position end of year	<u>\$ 619,492</u>	<u>667,046</u>

See notes to financial statements.

Carroll County
Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise - Nonmajor	Internal Service - Employee Group Health
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ -	1,391,223
Cash received from employees and others	-	503,145
Cash received from sewer fees	48,162	-
Cash paid to suppliers for services	(29,273)	(2,114,535)
Net cash provided (used) by operating activities	18,889	(220,167)
Cash flows from investing activities:		
Interest on investments	53	8,397
Cash flows from capital and related financing activities:		
Principal paid on interfund loan	(17,690)	-
Interest paid on interfund loan	(2,809)	-
Miscellaneous	(1,320)	-
Net cash used by capital and related financing activities	(21,819)	-
Net decrease in cash and cash equivalents	(2,877)	(211,770)
Cash and cash equivalents beginning of year	46,380	1,154,182
Cash and cash equivalents end of year	\$ 43,503	942,412
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (12,607)	(223,372)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	26,160	-
Decrease in accounts receivable	345	-
Increase in accounts payable	4,991	3,205
Net cash provided (used) by operating activities	\$ 18,889	(220,167)

See notes to financial statements.

Carroll County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,901,455
Other County officials	25,587
Receivables:	
Property tax:	
Delinquent	41,043
Succeeding year	24,571,000
Accounts	20,140
Due from other governments	<u>97,276</u>
Total assets	<u>26,656,501</u>

Liabilities

Accounts payable	3,471
Salaries and benefits payable	1,529
Due to other governments	26,635,461
Trusts payable	13,734
Compensated absences	<u>2,306</u>
Total liabilities	<u>26,656,501</u>

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

See notes to financial statements.

Carroll County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

Carroll 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, Carroll 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.

These financial statements present Carroll County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Carroll County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Carroll County Auditor's Office.

The Carroll County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Carroll County Conservation Board. These donations were expended to finance the Sauk Rail Trail and the Conservation Education Center and were not included in the County's budget. The financial transactions of this component unit have been reported as a Special Revenue Fund.

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: Carroll County Assessor's Conference Board, Carroll County Emergency Management Commission and County Joint 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

In addition, the County Board of Supervisors are members of or appoint representatives to: West Central Iowa Sheltered Workshop (WESCO), Carroll County Solid Waste Management Commission, Region XII Council of Governments, Youth Emergency Services (Y.E.S.), Ambulance Board and Conservation Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. 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/amortization 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 Local Option Sales Tax Fund is used to account for local option sales tax authorized by referendum and used in accordance with the referendum.

Additionally, the County reports the following proprietary funds:

Enterprise Funds are utilized to account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

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.

The following fiduciary funds are also reported:

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 revenues 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 the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

Due from/Advance to and Due to/Advances from Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns 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 assets or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land and buildings	25,000
Land improvements	10,000
Intangibles	50,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	30 - 50
Land improvements	10 - 30
Infrastructure	15 - 65
Intangibles	5 - 20
Equipment	2 - 40
Vehicles	4 - 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension 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 applicable governmental activities or proprietary fund Statement of Net Position.

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Carroll 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.

(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 an investment in the Iowa Public Agency Investment Trust which is valued at an amortized cost of \$187,263 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Due From/Advances to and Due to/Advances from Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	\$ 4,360
	Special Revenue: Rural Services	<u>2,655</u>
		<u>7,015</u>
Local Option Sales Tax	Enterprise: Mt. Carmel Sewer	7,291
	Maple River Sewer	<u>10,577</u>
		<u>17,868</u>
Total		<u>\$ 24,883</u>

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

Not included above, and not expected to be repaid within one year, are interfund advances of \$153,326, with interest rates ranging from 1% to 3.375% over 25 years, and \$100,098, with interest rates ranging from 1% to 4.5% over 15 years, due from the Enterprise, Mt. Carmel Sewer and Maple River Sewer Funds, respectively, to the Special Revenue, Local Option Sales Tax Fund for repayment of long term interfund loans. The interfund advances will be repaid from user fees. During the year ended June 30, 2018, the Enterprise, Mt. Carmel Sewer and Maple River Sewer Funds repaid \$17,868 on these advances.

Also not included above, and not expected to be repaid within one year, is an interfund advance of \$472,382 due from the Special Revenue, Tax Increment Financing Fund (TIF Fund) to the Special Revenue, Local Option Sales Tax Fund for repayment of an interfund advance for tax increment financing purposes. The interfund advance will be repaid with tax increment financing collections. During the year ended June 30, 2018, the TIF Fund paid \$116,984 on this advance.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 223,471
	Special Revenue: Rural Services	<u>1,960,045</u>
		<u>2,183,516</u>
Special Revenue: Local Option Sales Tax	Special Revenue: Tax Increment Financing	18,005
	Enterprise: Mt. Carmel Sewer	1,645
	Maple River Sewer	<u>1,164</u>
		<u>20,814</u>
Capital Projects	General	<u>97,535</u>
General	Special Revenue: Local Option Sales Tax	<u>760,000</u>
Total		<u>\$ 3,061,865</u>

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

(5) Capital Assets

Governmental activities 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	\$ 1,828,881	62,500	-	1,891,381
Construction in progress	1,757,967	1,202,216	2,954,004	6,179
Total capital assets not being depreciated	3,586,848	1,264,716	2,954,004	1,897,560
Capital assets being depreciated:				
Buildings	6,059,164	391,859	-	6,451,023
Improvements other than buildings	749,174	-	-	749,174
Equipment and vehicles	10,617,348	848,493	154,177	11,311,664
Infrastructure, road network	49,098,474	2,715,400	-	51,813,874
Infrastructure, other	1,638,237	-	-	1,638,237
Total capital assets being depreciated	68,162,397	3,955,752	154,177	71,963,972
Less accumulated depreciation for:				
Buildings	2,503,029	139,742	-	2,642,771
Improvements other than buildings	72,047	25,809	-	97,856
Equipment and vehicles	6,403,149	604,891	149,224	6,858,816
Infrastructure, road network	25,541,946	1,413,236	-	26,955,182
Infrastructure, other	254,836	36,406	-	291,242
Total accumulated depreciation	34,775,007	2,220,084	149,224	36,845,867
Total capital assets being depreciated, net	33,387,390	1,735,668	4,953	35,118,105
Governmental activities capital assets, net	\$ 36,974,238	3,000,384	2,958,957	37,015,665

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 135,983
Physical health and social services		5,212
County environment and education		126,680
Roads and transportation		1,887,455
Governmental services to residents		5,027
Administration		59,727
Total depreciation expense - governmental activities		<u>\$ 2,220,084</u>

Business type activities capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 25,500	-	-	25,500
Capital assets being depreciated:				
Infrastructure	1,044,140	-	-	1,044,140
Less accumulated depreciation for:				
Infrastructure	192,503	26,160	-	218,663
Total capital assets being depreciated, net	851,637	(26,160)	-	825,477
Business type activities capital assets, net	\$ 877,137	(26,160)	-	850,977
Total depreciation expense - business type activities				<u>\$ 26,160</u>

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 13,356
Special Revenue:		
Secondary Roads	Services	<u>721</u>
Total for governmental funds		<u>\$ 14,077</u>
Agency:		
Agricultural Extension Education	Collections	\$ 233,014
County Assessor		1,019,970
Schools		13,470,131
Community Colleges		962,943
Corporations		9,339,628
Townships		306,148
Auto License and Use Tax		652,401
911 Service Commission		368,050
All other		<u>283,176</u>
Total for agency funds		<u>\$ 26,635,461</u>

(7) Long-Term Liabilities

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

	<u>Installment</u>		<u>Net</u>	<u>Total</u>	
	<u>Purchase</u>	<u>Compensated</u>	<u>Pension</u>	<u>OPEB</u>	
	<u>Agreement</u>	<u>Absences</u>	<u>Liability</u>	<u>Liability</u>	<u>Total</u>
Governmental activities:					
Balance beginning of year, as restated	\$ 78,453	328,873	3,690,451	1,170,482	5,268,259
Increases	76,319	294,840	126,180	798,606	1,295,945
Decreases	88,453	349,176	-	135,212	572,841
Balance end of year	<u>\$ 66,319</u>	<u>274,537</u>	<u>3,816,631</u>	<u>1,833,876</u>	<u>5,991,363</u>
Due within one year	\$ 66,319	243,881	-	-	310,200

Installment Purchase Agreement

In February 2014, the Carroll County Conservation Board entered into an installment purchase agreement with the Iowa Natural Heritage Foundation (Foundation) to purchase 11 acres, including the house and outbuildings, from the Foundation to be used for the Park Ranger's home. Under the terms of the agreement, the County will make annual payments of \$50,583, which includes interest at 3.25% per annum, for 5 years.

During the year ended June 30, 2018, the County retired \$78,453 of the installment purchase debt, leaving no outstanding balance as of June 30, 2018.

Installment Purchase Agreement

During the year ended June 30, 2018, the County entered into a \$76,319 installment purchase agreement for IT Server Equipment. The agreement bears no interest and requires a down payment of \$10,000, with the remaining balance of \$66,319 due in fiscal year 2019.

(8) Pension Plan

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

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

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

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

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally 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 totaled \$513,690.

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 \$3,816,631 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 collective proportion was 0.057296%, which was a decrease of 0.001345% from its collective proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$674,699. 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	\$ 49,068	57,461
Changes of assumptions	864,679	6,677
Net difference between projected and actual earnings on IPERS' investments	-	56,453
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	87,600	62,946
County contributions subsequent to the measurement date	513,690	-
Total	\$ 1,515,037	183,537

\$513,690 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 130,035
2020	398,900
2021	225,145
2022	7,161
2023	56,569
Total	<u>\$ 817,810</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 7,159,185	3,816,631	1,010,698

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 to IPERS by the County by June 30, 2018.

(9) Other Postemployment Benefits (OPEB)

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

OPEB Benefits – Individuals who are employed by Carroll 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 and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>118</u>
Total	<u><u>128</u></u>

Total OPEB Liability – The County’s total OPEB liability of \$1,833,876 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

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

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

Mortality rates are from RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 1,170,482
Changes for the year:	
Service cost	109,074
Interest	43,409
Differences between expected and actual experiences	556,977
Changes in assumptions	89,146
Benefit payments	<u>(135,212)</u>
Net changes	<u>663,394</u>
Total OPEB liability end of year	<u>\$ 1,833,876</u>

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

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

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 1,943,822	1,833,876	1,729,512

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 1,652,482	1,833,876	2,047,310

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$260,171. 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	\$ 464,147
Changes in assumptions	74,288
Total	<u>\$ 538,435</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	\$ 107,688
2020	107,688
2021	107,688
2022	107,688
2023	107,683
	<u>\$ 538,435</u>

(10) Risk Management

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

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were \$142,873.

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

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

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County’s health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County’s contribution for the year ended June 30, 2018 was \$1,391,223.

Amounts payable from the Internal Service Fund at June 30, 2018 total \$276,453, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$667,046 at June 30, 2018 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 273,248
Incurred claims (including claims incurred but not reported at June 30, 2018)	2,042,729
Payments on claims during the fiscal year	<u>2,039,524</u>
Unpaid claims end of year	<u>\$ 276,453</u>

(12) Revenue Bonds

On September 29, 2003, the County issued \$10,000,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of Saint Anthony Regional Hospital to renovate the existing third floor and other areas of the hospital and to construct and equip an addition. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

On November 22, 2006, the County issued \$6,575,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of Saint Anthony Regional Hospital to finance a portion of the cost of the construction of a four-story addition to the hospital, to equip the addition and to add parking structures and a new surgery center. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of the bonds.

On December 1, 2008, the County issued \$1,400,000 of Facility Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of New Opportunities Inc. for the purchase of land and a building and to equip the building to be used as a Head Start/Outreach facility. The bonds are not a general obligation of the County, but are payable solely from the net revenues of New Opportunities, Inc. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of the bonds.

(13) Deficit Balance

The Special Revenue, Tax Increment Financing Fund had a deficit balance of \$472,382 at June 30, 2018. The deficit balance was a result of an interfund loan for costs incurred prior to the availability of funds. The deficit will be eliminated with future tax increment financing collections.

(14) Tax Abatements

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

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Manning	Urban renewal and economic development projects	\$ 17,208
City of Coon Rapids	Urban renewal and economic development projects	9,033
City of Halbur	Urban renewal and economic development projects	1,635
City of Glidden	Urban renewal and economic development projects	159

(15) Carroll County Financial Information Included in the Rolling Hills Community Services Mental Health Region

Rolling Hills Community Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Buena Vista, Calhoun, Cherokee, Crawford, Sac, Ida and Carroll County. The financial activity of Carroll County's Special Revenue, Mental Health Fund is included in the Rolling Hills Community Services Mental Health Region for the year ended June 30, 2018 as follows:

Revenues:		
Property and other county tax		\$ 721,168
Intergovernmental revenues:		
State tax credits	\$ 32,452	
Payments from regional fiscal agent	<u>41,983</u>	<u>74,435</u>
Total revenues		<u>795,603</u>
Expenditures:		
General administration:		
Direct administration	\$ 26,955	
Purchased administration	13,785	
Distribution to regional fiscal agent	<u>669,670</u>	<u>710,410</u>
Excess of revenues over expenditures		85,193
Fund balance beginning of year		<u>111,531</u>
Fund balance end of year		<u>\$ 196,724</u>

(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	\$ 45,266,734
Net OPEB obligation measured under previous standards	355,338
Total OPEB liability at June 30, 2017	<u>(1,170,482)</u>
Net position July 1, 2017, as restated	<u>\$ 44,451,590</u>

Required Supplementary Information

Carroll 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	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,767,619	-	7,767,619
Interest and penalty on property tax	31,058	-	31,058
Intergovernmental	5,298,797	66,090	5,232,707
Licenses and permits	50,997	-	50,997
Charges for service	1,909,258	-	1,909,258
Use of money and property	370,637	240	370,397
Miscellaneous	620,245	26,360	593,885
Total receipts	16,048,611	92,690	15,955,921
Disbursements:			
Public safety and legal services	3,709,212	-	3,709,212
Physical health and social services	1,030,530	-	1,030,530
Mental health	708,554	-	708,554
County environment and education	1,238,550	90,844	1,147,706
Roads and transportation	6,297,383	-	6,297,383
Governmental services to residents	590,654	-	590,654
Administration	1,664,278	-	1,664,278
Non-program	82,659	-	82,659
Capital projects	247,165	-	247,165
Total disbursements	15,568,985	90,844	15,478,141
Excess (deficiency) of receipts over (under) disbursements	479,626	1,846	477,780
Other financing sources, net	(116,449)	-	(116,449)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	363,177	1,846	361,331
Balance beginning of year	7,888,552	143,334	7,745,218
Balance end of year	\$ 8,251,729	145,180	8,106,549

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
7,554,413	7,554,413	213,206
15,000	15,000	16,058
5,353,979	5,353,979	(121,272)
52,100	52,100	(1,103)
1,781,170	1,781,170	128,088
349,848	349,848	20,549
306,080	395,140	198,745
15,412,590	15,501,650	454,271
3,823,016	3,908,456	199,244
1,158,346	1,160,052	129,522
987,868	987,868	279,314
1,163,011	1,175,511	27,805
6,461,300	6,461,300	163,917
624,691	631,594	40,940
1,688,021	1,753,960	89,682
19,678	94,678	12,019
965,900	1,060,760	813,595
16,891,831	17,234,179	1,756,038
(1,479,241)	(1,732,529)	2,210,309
(116,736)	(116,736)	287
(1,595,977)	(1,849,265)	2,210,596
7,204,767	7,204,767	540,451
5,608,790	5,355,502	2,751,047

Carroll County

Carroll County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Basis
Revenues	\$ 16,048,611	(448,437)	15,600,174
Expenditures	15,568,985	(356,821)	15,212,164
Net	479,626	(91,616)	388,010
Other financing sources, net	(116,449)	195,577	79,128
Beginning fund balances	7,888,552	2,519,344	10,407,896
Ending fund balances	<u>\$ 8,251,729</u>	<u>2,623,305</u>	<u>10,875,034</u>

See accompanying independent auditor's report.

Carroll County

Notes to Other 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 blended component units, Enterprise Funds, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the 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 \$342,348. The budget amendments are reflected in the final budgeted amounts.

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

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

Carroll 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	0.057296%	0.058641%	0.053890%	0.048499%
County's proportionate share of the net pension liability	\$ 3,817	3,690	2,662	1,923
County's covered payroll	\$ 5,634	5,483	5,258	5,026
County's proportionate share of the net pension liability as a percentage of its covered payroll	67.75%	67.30%	50.63%	38.26%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Carroll 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	\$ 514	509	502	487
Contributions in relation to the statutorily required contribution	(514)	(509)	(502)	(487)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 5,619	5,634	5,483	5,258
Contributions as a percentage of covered payroll	9.15%	9.03%	9.16%	9.26%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
464	421	394	339	319	291
(464)	(421)	(394)	(339)	(319)	(291)
-	-	-	-	-	-
5,026	4,627	4,574	4,408	4,451	4,265
9.23%	9.10%	8.61%	7.69%	7.17%	6.82%

Carroll County

Notes to Other 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.

Carroll County

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

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 109,074
Interest cost	43,409
Difference between expected and actual experiences	556,977
Changes in assumptions	89,146
Benefit payments	<u>(135,212)</u>
Net change in total OPEB liability	<u>663,394</u>
Total OPEB liability beginning of year, as restated	<u>1,170,482</u>
Total OPEB liability end of year	<u>\$ 1,833,876</u>
Covered-employee payroll	\$ 5,285,969
Total OPEB liability as a percentage of covered-employee payroll	34.7%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

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

Carroll County

Supplementary Information

Carroll County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

			Special
	Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts
Assets			
Current assets:			
Cash and pooled investments:			
County Treasurer	\$ 12,320	22,754	62,159
Conservation Foundation	-	-	-
Due from other governments	-	965	-
Total assets	\$ 12,320	23,719	62,159
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Advance from other funds	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for other purposes	12,320	23,719	62,159
Assigned for capital projects and equipment	-	-	-
Unassigned	-	-	-
Total fund balances	12,320	23,719	62,159
Total liabilities and fund balances	\$ 12,320	23,719	62,159

See accompanying independent auditor's report.

Revenue			
Conservation Foundation	Tax Increment Financing	Capital Projects	Total
-	-	286,788	384,021
83,021	-	-	83,021
-	-	6,993	7,958
83,021	-	293,781	475,000
-	-	9,834	9,834
-	472,382	-	472,382
-	472,382	9,834	482,216
83,021	-	40,132	221,351
-	-	243,815	243,815
-	(472,382)	-	(472,382)
83,021	(472,382)	283,947	(7,216)
83,021	-	293,781	475,000

Carroll County

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

Year ended June 30, 2018

	<u>Special</u>		
	Resource Enhancement and Protection	County Recorder's Records Management	Drainage Districts
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	14,189	-	66,090
Charges for service	-	3,699	-
Use of money and property	24	40	-
Miscellaneous	-	-	-
Total revenues	<u>14,213</u>	<u>3,739</u>	<u>66,090</u>
Expenditures:			
Operating:			
County environment and education	35,800	-	65,413
Governmental services to residents	-	8,025	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>35,800</u>	<u>8,025</u>	<u>65,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,587)</u>	<u>(4,286)</u>	<u>677</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(21,587)	(4,286)	677
Fund balances (deficit) beginning of year	<u>33,907</u>	<u>28,005</u>	<u>61,482</u>
Fund balances (deficit) end of year	<u>\$ 12,320</u>	<u>23,719</u>	<u>62,159</u>

See accompanying independent auditor's report.

 Revenue

Conservation Foundation	Tax Increment Financing	Capital Projects	Total
-	133,574	-	133,574
-	1,415	11,400	93,094
-	-	74,063	77,762
240	-	46,575	46,879
26,360	-	10,000	36,360
26,600	134,989	142,038	387,669
25,431	-	-	126,644
-	-	-	8,025
-	-	80,961	80,961
-	-	64,924	64,924
25,431	-	145,885	280,554
1,169	134,989	(3,847)	107,115
-	-	97,535	97,535
-	(18,005)	-	(18,005)
-	(18,005)	97,535	79,530
1,169	116,984	93,688	186,645
81,852	(589,366)	190,259	(193,861)
83,021	(472,382)	283,947	(7,216)

Schedule 3

Carroll County
Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2018

	Enterprise		
	Mt. Carmel	Maple River	
	Sewer	Sewer	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 34,167	9,336	43,503
Accounts receivable	1,680	2,387	4,067
Capital assets, net of accumulated depreciation	306,836	544,141	850,977
Total assets	342,683	555,864	898,547
Liabilities			
Current liabilities:			
Accounts payable	6,341	1,422	7,763
Due to other funds	7,291	10,577	17,868
Long-term liabilities:			
Advances from other funds	153,326	100,098	253,424
Total liabilities	166,958	112,097	279,055
Net Position			
Net investment in capital assets	146,219	433,466	579,685
Unrestricted	29,506	10,301	39,807
Total net position	\$ 175,725	443,767	619,492

See accompanying independent auditor's report.

Carroll County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Proprietary Funds

Year ended June 30, 2018

	Enterprise		Total
	Mt. Carmel Sewer	Maple River Sewer	
Operating revenues:			
Charges for service	\$ 20,668	27,150	47,818
Operating expenses:			
Depreciation	9,495	16,665	26,160
Miscellaneous	15,247	19,018	34,265
Total operating expenses	24,742	35,683	60,425
Operating loss	(4,074)	(8,533)	(12,607)
Non-operating revenues (expenses):			
Interest income	41	12	53
Miscellaneous	(1,320)	-	(1,320)
Net non-operating revenues (expenses)	(1,279)	12	(1,267)
Net loss	(5,353)	(8,521)	(13,874)
Transfers out	(1,645)	(1,164)	(2,809)
Change in net position	(6,998)	(9,685)	(16,683)
Net position beginning of year	182,723	453,452	636,175
Net position end of year	\$ 175,725	443,767	619,492

See accompanying independent auditor's report.

Carroll County

Carroll County
Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2018

	Enterprise		Total
	Mt. Carmel Sewer	Maple River Sewer	
Cash flows from operating activities:			
Cash received from sewer fees	\$ 20,662	27,500	48,162
Cash paid to suppliers for services	(8,916)	(20,357)	(29,273)
Net cash provided by operating activities	11,746	7,143	18,889
Cash flows from investing activities:			
Interest on investments	41	12	53
Cash flows from capital and related financing activities:			
Principal paid on interfund loan	(7,219)	(10,471)	(17,690)
Interest paid on interfund loan	(1,645)	(1,164)	(2,809)
Miscellaneous	(1,320)	-	(1,320)
Net cash used by capital and related financing activities	(10,184)	(11,635)	(21,819)
Increase (decrease) in cash and cash equivalents	1,603	(4,480)	(2,877)
Cash and cash equivalents beginning of year	32,564	13,816	46,380
Cash and cash equivalents end of year	\$ 34,167	9,336	43,503
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (4,074)	(8,533)	(12,607)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	9,495	16,665	26,160
(Increase) decrease in accounts receivable	(6)	351	345
Increase (decrease) in accounts payable	6,331	(1,340)	4,991
Net cash provided by operating activities	\$ 11,746	7,143	18,889

See accompanying independent auditor's report.

Carroll County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	787	626,524	45,870
Other County officials	25,587	-	-	-
Receivables:				
Property tax:				
Delinquent	-	227	489	14,261
Succeeding year	-	232,000	396,000	13,410,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 25,587	233,014	1,023,013	13,470,131
Liabilities				
Accounts payable	\$ -	-	187	-
Salaries and benefits payable	-	-	550	-
Due to other governments	11,853	233,014	1,019,970	13,470,131
Trusts payable	13,734	-	-	-
Compensated absences	-	-	2,306	-
Total liabilities	\$ 25,587	233,014	1,023,013	13,470,131

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Service Commission	Other	Total
3,025	50,485	147	652,401	254,168	268,048	1,901,455
-	-	-	-	-	-	25,587
918	25,143	1	-	-	4	41,043
959,000	9,264,000	306,000	-	-	4,000	24,571,000
-	-	-	-	20,140	-	20,140
-	-	-	-	97,001	275	97,276
962,943	9,339,628	306,148	652,401	371,309	272,327	26,656,501
-	-	-	-	3,259	25	3,471
-	-	-	-	-	979	1,529
962,943	9,339,628	306,148	652,401	368,050	271,323	26,635,461
-	-	-	-	-	-	13,734
-	-	-	-	-	-	2,306
962,943	9,339,628	306,148	652,401	371,309	272,327	26,656,501

Carroll County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 23,469	225,729	839,958	13,174,488
Additions:				
Property and other county tax	-	228,767	389,695	13,192,553
E-911 surcharge	-	-	-	-
State tax credits	-	23,534	38,467	1,372,951
Office fees and collections	539,408	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	118,088	-	-	-
Miscellaneous	-	-	-	-
Total additions	657,496	252,301	428,162	14,565,504
Deductions:				
Agency remittances:				
To other funds	234,515	-	-	-
To other governments	276,921	245,016	245,107	14,269,861
Trusts paid out	143,942	-	-	-
Total deductions	655,378	245,016	245,107	14,269,861
Balances end of year	\$ 25,587	233,014	1,023,013	13,470,131

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E-911 Service Commission	Other	Total
870,177	8,789,291	288,920	664,739	277,286	248,364	25,402,421
944,529	8,990,921	301,064	-	-	3,824	24,051,353
-	-	-	-	315,770	-	315,770
90,155	1,156,623	21,052	-	-	408	2,703,190
-	-	-	-	-	-	539,408
-	-	-	8,129,451	-	-	8,129,451
-	-	-	-	-	21,616	21,616
-	-	-	-	-	-	118,088
-	-	-	-	-	266,440	266,440
1,034,684	10,147,544	322,116	8,129,451	315,770	292,288	36,145,316
-	-	-	238,821	-	-	473,336
941,918	9,597,207	304,888	7,902,968	221,747	268,325	34,273,958
-	-	-	-	-	-	143,942
941,918	9,597,207	304,888	8,141,789	221,747	268,325	34,891,236
962,943	9,339,628	306,148	652,401	371,309	272,327	26,656,501

Carroll County

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

For the Last Ten Years

	Modified			
	2018	2017	2016	2015
Revenues:				
Property and other county tax	\$ 6,586,099	6,539,362	6,504,332	6,239,703
Local option sales tax	1,047,944	1,050,978	997,138	1,092,056
Interest and penalty on property tax	31,058	34,078	25,083	28,032
Tax increment financing	133,574	134,984	43,572	-
Intergovernmental	5,224,009	6,070,045	5,725,819	4,957,337
Licenses and permits	34,071	75,115	56,463	55,213
Charges for service	1,901,778	1,667,531	1,861,073	1,801,281
Use of money and property	197,347	205,433	211,263	225,710
Miscellaneous	444,294	427,387	520,405	566,244
Total	<u>\$ 15,600,174</u>	<u>16,204,913</u>	<u>15,945,148</u>	<u>14,965,576</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,723,918	3,582,051	3,590,421	3,569,328
Physical health and social services	1,015,456	1,048,616	1,121,709	1,193,588
Mental health	710,410	912,665	1,003,072	1,392,640
County environment and education	1,236,059	1,151,127	1,192,122	1,097,888
Roads and transportation	5,867,193	5,679,227	6,000,217	4,825,381
Governmental services to residents	592,290	521,945	507,629	484,554
Administration	1,759,581	1,652,469	1,540,685	1,524,872
Non-program	62,756	55,947	-	-
Debt service	80,961	60,583	50,583	40,000
Capital projects	163,540	1,625,398	1,807,914	391,296
Total	<u>\$ 15,212,164</u>	<u>16,290,028</u>	<u>16,814,352</u>	<u>14,519,547</u>

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
5,870,310	6,078,653	6,069,392	6,640,519	6,249,428	6,151,523
1,055,930	955,398	994,372	1,043,680	916,542	945,460
22,003	29,747	24,187	28,684	32,778	18,935
-	31,711	34,014	35,999	35,688	36,999
4,886,510	4,246,548	5,660,948	6,973,234	5,991,574	5,238,692
44,451	44,326	86,892	104,508	101,193	146,138
1,634,638	1,784,399	1,648,902	1,529,771	1,658,603	1,646,789
231,421	213,871	278,273	243,609	260,454	321,974
499,422	802,490	622,010	794,981	874,176	694,645
<u>14,244,685</u>	<u>14,187,143</u>	<u>15,418,990</u>	<u>17,394,985</u>	<u>16,120,436</u>	<u>15,201,155</u>
3,344,865	3,119,880	2,907,030	2,856,102	2,758,548	2,653,229
1,075,949	1,017,939	1,099,826	1,137,806	1,132,825	1,039,186
964,464	943,930	2,740,975	2,249,772	2,156,469	2,625,463
1,704,753	1,032,380	1,203,695	1,076,566	1,181,604	1,122,372
4,986,582	4,330,395	4,801,195	4,818,013	4,546,295	3,775,781
552,602	558,483	448,130	418,624	415,692	464,272
1,583,014	1,489,117	1,489,098	1,352,842	1,323,946	1,277,280
-	-	9,108	865,220	148,626	134,675
-	-	-	78,602	90,409	91,002
<u>1,228,060</u>	<u>787,796</u>	<u>1,104,752</u>	<u>1,451,355</u>	<u>1,267,519</u>	<u>559,096</u>
<u>15,440,289</u>	<u>13,279,920</u>	<u>15,803,809</u>	<u>16,304,902</u>	<u>15,021,933</u>	<u>13,742,356</u>

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Carroll 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, the business type activities, each major fund and the aggregate remaining fund information of Carroll 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 June 11, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

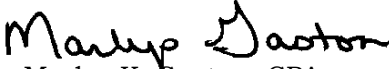
Carroll County's Responses to the Findings

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

June 11, 2019

Carroll County

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Carroll County Ambulance Department

Criteria – An effective internal control system provides for internal controls related to reconciling ambulance service billings, collections, and receivables to ensure the accuracy of ambulance service collections and receivables. Also, effective internal control systems provide for written documentation of the independent approval of accounts receivable written off as uncollectable.

Condition – The Ambulance Department bills for services provided. The majority of collections for those services are remitted directly to the County Treasurer's Office. The County Treasurer's Office prepares a receipt for accounting and sends a copy of each receipt to the Ambulance Department. The Ambulance Department records each receipt in its computer system. During the year, the County Treasurer's Office attempted to reconcile the collections recorded in the Ambulance Department's accounts receivable system with the actual collections recorded by the County Treasurer in total each month, but unexplained variances existed.

In addition, written documentation of the independent approval of accounts receivable written off as uncollectable is not maintained. Also, accounts receivable balances and receipts from the collection agency are not reconciled by the Ambulance Department.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance service billings, collections and receivables.

Effect – This condition could result in unrecorded or misstated ambulance service revenues and receivables.

Recommendation – A reconciliation of ambulance service billings, collections and receivables should be prepared monthly and compared to County Treasurer's records. Variances should be researched and explanations of variances should be included for the reconciling items. An independent person should review the reconciliations and monitor receivables. The review should be documented by the signature or initials of the reviewer and the date of the review. The Ambulance Department should maintain written documentation of the independent approval of accounts receivable which are written off. Also, collection agency receipts should be recorded and accounts receivable balances reconciled by the Ambulance Department.

Response – The Ambulance Department will work with the County Treasurer's office to meet and correct all recommendations to the best of our ability.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2018

(B) Board of Health

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.

In addition, an effective internal control system provides for internal controls related to reconciling Medicaid and nursing service billings, collections and receivables to ensure the accuracy of Medicaid and nursing service collections and receivables and ensuring the reconciliations are periodically reviewed by an independent person.

Condition – One individual has custody of receipts and performs all record keeping duties. A reconciliation of Medicaid and nursing service billings, collections and receivables is prepared monthly. However, an independent review of the reconciliation is not performed.

Cause – The Board has 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. In addition, policies have not been established to require independent review of Medicaid and nursing service billing reconciliations.

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 – The Board should review the control activities of the office to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control. The reconciliations of Medicaid and nursing service billings, collections and receivables should be reviewed by an independent person. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Segregation of duties is difficult to do because we are a small department of only nine people. For reconciliation of receivables, an Excel spreadsheet is used to show the amount billed and the amount received.

Conclusion – Response acknowledged. The Department should continue to review control activities to obtain the maximum internal control possible. An independent review of the reconciliation of receivables should be performed and documented.

Carroll County

Schedule of Findings

Year ended June 30, 2018

(C) County Sheriff

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 – Two employees collect cash, record deposits and reconcile daily cash receipts. There is no evidence of independent review of the bank reconciliations.

Cause – The Sheriff’s Office has 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 – The Sheriff’s Office should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Office should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – Sheriff has reviewed the findings and will work to improve internal controls and also review policies.

Conclusion – Response accepted.

(D) County Recorder

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.

Additionally, management is responsible for keeping accurate accounts that reconcile between reports submitted to the County, Board of Supervisors and State of Iowa.

Condition – All three individuals in the Recorder’s Office collect cash, prepare the deposit and prepare the monthly bank reconciliations. In addition, we noted multiple variances between the Annual Report given to the Board of Supervisors and the County Recorder’s financial records.

Carroll County

Schedule of Findings

Year ended June 30, 2018

Cause – The Recorder’s Office has 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. In addition, variances between the Annual Reports and the County Recorder’s financial records were not pursued and corrected.

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. In addition, variances noted in the reconciliation process which are not reviewed and resolved timely could affect the ability to prevent or detect errors or fraud.

Recommendation – The Recorder’s Office should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Office should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. In addition, officials should review financial records and reports in a timely manner and investigate and resolve variances timely.

Response – The Recorder’s office is a two full-time employee office. The Recorder and Deputy cross check daily spreadsheets, weekly deposits and monthly bank statements. In addition, variances between Annual Reports and the financial records are now being corrected and reviewed in a timely manner.

Conclusion – Response accepted.

(E) County Conservation

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 – One individual in the Conservation Department opens mail, records receipts, prepares the deposit and prepares the monthly bank reconciliations.

Cause – The Conservation Department has 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 – The Conservation Department should review its operating procedures to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control through review of financial transactions, reconciliations and reports.

Carroll County

Schedule of Findings

Year ended June 30, 2018

Response – As a small department with limited staff, we will continue to try and segregate duties as much as possible. The Conservation Board Director will continue to review receipts, deposits and reconciliations prepared by the Office Manager to help mitigate any potential risk to the County. The Director will also continue to deliver deposits to the bank so the same person is not preparing deposits and also delivering them to the bank. By having a second person review receipts, deposits and reconciliations and also having a second person actually deliver the deposits once reviewed, we hope this will provide some segregation of duties and provide enough oversight to detect errors or misappropriations if they should occur.

Conclusion – Response accepted.

(F) Approval of Payroll

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

Condition – Employees in the County Attorney’s Office and two employees in the County Sheriff’s Office do not submit timesheets.

Procedures do not exist for properly documenting and controlling vacation, sick leave, and compensatory time. The County Auditor’s Office tracks vacation, sick leave and compensatory time for each employee; however, some departments submit leave usage to the County Auditor’s office only at year end. In addition, there is no evidence of an immediate supervisor’s approval for leave time prior to taking leave.

Cause – Policies have not been established and procedures have not been implemented to require all employees and departments, including salaried employees, to prepare timesheets or to require timesheets and leave taken be reviewed and approved by supervisory personnel. The County has not established procedures for properly documenting and controlling leave time with the Auditor’s Office.

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

When an employee retires or otherwise leaves employment and claims a payout, the County needs support to provide assurance the claim is proper. Without maintaining detailed records, the County may not have the ability to support the claim. In addition, without detailed records, the County may not have the support necessary to ensure compliance with the Fair Labor Standards Act.

Recommendation – Timesheets should be submitted to the County Auditor’s office prior to the processing of payroll each pay period. Timesheets should be signed by the employee and supervisor prior to submission. Timesheets should support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days. Also, leave time should be approved prior to taking leave.

Carroll County

Schedule of Findings

Year ended June 30, 2018

The Board of Supervisors should consider passing a policy which requires the submittal of timesheets to the County Auditor's Office for payroll processing along with support for vacation, sick leave, compensatory time, holiday hours, and personal days. This would help prevent and mitigate payroll errors and would ensure the County Auditor's Office has sufficient support to comply with the Fair Labor Standards Act for County employees.

Response – The Board will consider passing a policy regarding submittal of timesheets.

Conclusion – Response accepted.

(G) County Extension Office

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 – One or two individuals in the County Extension Office records receipts, prepares the deposit and prepares the monthly bank reconciliations.

Cause – The County Extension Office has 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 Extension Office's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The County Extension Office should review its operating procedures to obtain the maximum internal control possible under the circumstances and consider using other County employees or officials to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are aware segregation of duties is very important and have developed a strategy to help mitigate any losses in regards to the bank reconciliations preparation. As it is not feasible with the amount of staff available to have an independent person prepare the bank reconciliations, we will implement a review process.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2018

(H) Ambulance Payroll Issue

Criteria – An effective internal control system provides for internal controls related to payroll transactions at the County. Ambulance employees are paid based upon their certifications. Documentation of the certifications should be maintained to support the pay rate.

Condition – A former ambulance employee was paid more than allowed because documentation of the employee’s certifications for the position was not maintained. The employee received a rate of pay based on certifications the employee did not have. For the period July 1, 2015 through February 2018, it is estimated the County paid the employee approximately \$36,000 more in payroll costs, including regular wages, overtime, FICA and IPERS, than allowed.

Cause – Supporting documentation was not requested, maintained or provided for salary and wage increases for the employee.

Effect – It is estimated the County paid approximately \$36,000 more in payroll costs than allowed.

Recommendation – Department heads should maintain supporting documentation for employee salary and wage rate increases for certifications obtained. This supporting documentation should be provided to the County Auditor’s Office prior to payments made at the new wage rate. The County should work with the County Attorney to determine the disposition of this matter, including seeking reimbursement of the over payments

Response – The Ambulance Department will work with the County Auditor’s Office to ensure all Ambulance employees are paid according to the employee’s certification level.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Carroll 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 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Louie Grote, Veterans Affairs Director, owner of LNC Computers	IT services, per bid	\$ 40,680
Jessica Halbur, Ambulance, death investigator	Medical exam investigations	647
Joann Martin, Auditor's Office, wife of Steve Hoogestraat, independent contractor	Sanitarian contract labor	5,843
Darrell Baker, Ambulance Director, death investigator	Medical exam investigations	2,700
Alan Brinks, Secondary Roads employee, independent contractor	Mowing	1,260
Jean Seidl, Treasurer's Office, wife of Mike Seidl, owner of Seidl Construction	Mowing/spraying	625
Brooke Bruning, Treasurer's Office, daughter-in-law of owners of Bruning Oil	Tire repair/auto repair/fuel	16,419
Zach Niehaus, maintenance employee, independent contractor	Flowers/labor/snow removal	113
Rae Ann Meyer, Ambulance employee, independent contractor	Medical exam investigations	500
Joseph Boell, Secondary Roads employee, grandfather of Blake Boell, independent contractor	Mowing	864

In accordance with Chapter 331.342(2)(c) of the Code of Iowa, the transactions with LNC Computers do not represent a conflict of interest since the services were competitively bid.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Darrell Baker, Steve Hoogestraat and Bruning Oil do not appear to represent conflicts of interest since the Ambulance Department, Auditor’s Office and Treasurer’s Office employees’ employment is not directly affected as a result of the contracts.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Alan Brincks, Seidl Construction, Jessica Halbur, Zach Niehaus, Rae Ann Meyer and Joseph Boell do not appear to represent conflicts of interest since total transactions with each did not exceed \$1,500 during the fiscal year.

Carroll County

Schedule of Findings

Year ended June 30, 2018

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.
- (10) Financial Condition – The Special Revenue, Tax Increment Financing Fund had a deficit fund balance of \$472,382 at June 30, 2018.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – The deficit balance will be reduced in fiscal year 2019 with tax increment financing collections from the County urban renewal area.

Conclusion – Response accepted.

- (11) 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.

Carroll County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Jennifer L. Wall, CPA, Manager
Anthony M. Heibult, Senior Auditor II
Marcus B. Johnson, Senior Auditor
Malika Moutiq, Staff Auditor
Cody J. Pifer, Staff Auditor
Bianca M. Cleary, Assistant Auditor
Coltin R. Collins, Assistant Auditor
Matthew K. Nnanna, Assistant Auditor