



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

July 24, 2019

Contact: Marlys Gaston
515/281-5834

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

The County had local tax revenue of \$12,324,622 for the year ended June 30, 2018, which included \$904,599 in tax credits from the state. The County forwarded \$8,197,019 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,127,603 of the local tax revenue to finance County operations, a 3.5% increase over the prior year. Other revenues included charges for service of \$612,852, operating grants, contributions and restricted interest of \$2,858,766, capital grants, contributions and restricted interest of \$2,084,057, tax increment financing of \$201,664, unrestricted investment earnings of \$48,408, local option sales tax of \$247,841, gain on disposition of capital assets of \$37,297 and other general revenues of \$215,363.

Expenses for County operations for the year ended June 30, 2018 totaled \$9,961,377, a 3.8% increase over the prior year. Expenses included \$5,335,218 for roads and transportation, \$1,381,825 for public safety and legal services and \$852,278 for administration.

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

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AUDUBON COUNTY

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

JUNE 30, 2018

Audubon County



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Rob Sand
Auditor of State

July 9, 2019

Officials of Audubon County
Audubon, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Audubon County, Iowa, 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 Audubon County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

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Audubon County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary VanAernam	Board of Supervisors	Jan 2019
Todd M. Nelsen	Board of Supervisors	Jan 2021
Rick Thompson	Board of Supervisors	Jan 2021
Lisa Frederiksen	County Auditor	Jan 2021
Debbie Campbell	County Treasurer	Jan 2019
Miranda Bills	County Recorder	Jan 2019
Todd Johnson	County Sheriff	Jan 2021
David Wierderstein	County Attorney (Acting)	Resigned Jan 2018
Sarah Jennings (Appointed Jan 2018)	County Attorney	Nov 2018
Debra Umland	County Assessor	Jan 2021

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon 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 14 to the financial statements, Audubon 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 8 through 14 and 50 through 57 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.

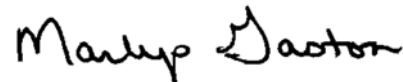
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 2019 on our consideration of Audubon 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 Audubon County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

July 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon 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 \$197,843 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 were not restated because the information needed to restate the amount was not available.
- Revenues of the County's governmental activities increased 13.8%, or approximately \$1,268,000, from fiscal year 2017 to fiscal year 2018. Property tax, including tax increment financing, increased approximately \$199,000 and capital grants, contributions and restricted interest increased approximately \$1,039,000.
- Program expenses of the County's governmental activities were 0.4%, or approximately \$37,000, more in fiscal year 2018 than in fiscal year 2017. Roads and transportation expenses decreased approximately \$727,000 and county environment and education expenses increased approximately \$393,000.
- The County's net position, after restatement, increased 2.5%, or approximately \$473,000, over the 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 Audubon 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 Audubon 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 Audubon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

- 2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally 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 emergency management services, auto license and use tax and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Prior to restatement, Audubon County's combined net position increased from approximately \$19.2 million to approximately \$19.5 million. The analysis that follows focuses on the changes in the net position of governmental activities.

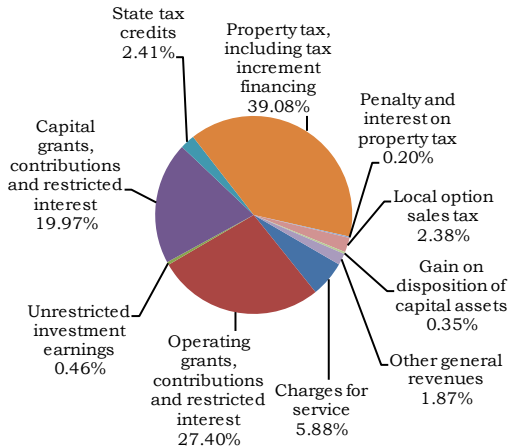
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 11,243	9,866
Capital assets	22,072	19,824
Total assets	<u>33,315</u>	<u>29,690</u>
Deferred outflows of resources	765	657
Long-term liabilities	9,752	6,448
Other liabilities	253	374
Total liabilities	<u>10,005</u>	<u>6,822</u>
Deferred inflows of resources	4,591	4,316
Net position:		
Net investment in capital assets	16,923	15,810
Restricted	3,303	3,335
Unrestricted	(742)	64
Total net position	<u>\$ 19,484</u>	<u>19,209</u>

Prior to restatement, net position of Audubon County's governmental activities increased 1.4% (approximately \$19.5 million compared to approximately \$19.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position decreased 1% from the prior year. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$64,000 at June 30, 2017 to a deficit of approximately \$742,000 at the end of this year. The decrease is primarily due to increases in the net pension and total OPEB liabilities and the issuance of \$300,000 of general obligation bonds to fund a grant to the Audubon County Economic Development, Inc.

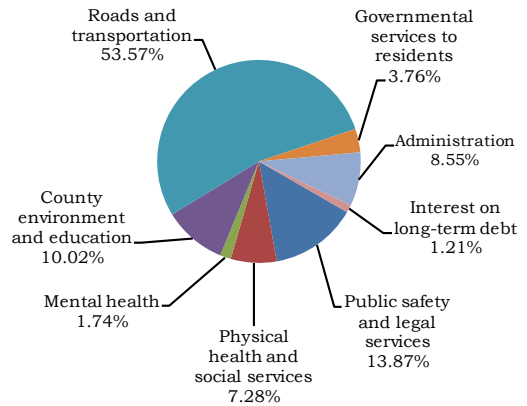
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2017	2018 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 613	571
Operating grants, contributions and restricted interest	2,859	2,950
Capital grants, contributions and restricted interest	2,084	1,045
General revenues:		
Property tax, including tax increment financing	4,078	3,879
Penalty and interest on property tax	21	23
State tax credits	251	254
Local option sales tax	248	280
Unrestricted investment earnings	48	19
Gain on disposition of capital assets	37	76
Other general revenues	195	69
Total revenues	10,434	9,166
Program expenses:		
Public safety and legal services	1,382	1,266
Physical health and social services	725	578
Mental health	173	190
County environment and education	998	605
Roads and transportation	5,335	6,062
Governmental services to residents	375	346
Administration	852	795
Interest on long-term debt	121	82
Total expenses	9,961	9,924
Change in net position	473	(758)
Net position beginning of year, as restated	19,011	19,967
Net position end of year	\$ 19,484	19,209

Revenues by Source



Expenses by Function



The County decreased property tax rates for fiscal year 2018 by 1.8%. The rate decrease, offset by an increase in taxable valuation increased the County's property tax revenue approximately \$143,000 in fiscal year 2018.

The cost of all governmental activities this year was approximately \$10.0 million compared to approximately \$9.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$4.4 million because some of the cost was paid by those who directly benefited from the programs (approximately \$613,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,943,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2018 from approximately \$4,566,000 to approximately \$5,556,000, principally due to an increase in capital assets contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$6.5 million, an increase of more than \$1,281,000 above last year's total of approximately \$5.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$132,000 and expenditures increased approximately \$618,000 over the prior year. County environment and education function expenditures increased approximately \$345,000, primarily due to a \$300,000 grant given to Audubon County Economic Development, Inc. The ending balance decreased approximately \$128,000 over the prior year to approximately \$2,125,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled approximately \$115,000, consistent with the prior year, and expenditures totaled approximately \$173,000, a decrease of approximately \$17,000 from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$58,000 from the prior year to approximately \$802,000.
- Special Revenue, Rural Services Fund revenues and expenditures increased approximately \$62,000 and \$16,000, respectively. The ending fund balance increased approximately \$43,000 over the prior year to approximately \$603,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$78,000 and expenditures decreased approximately \$290,000 from the prior year, due to fewer projects. The changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$109,000 to approximately \$1,215,000.
- The Debt Service Fund expenditures and transfers in were \$3,248,568. A transfer in was received from the Capital Projects Fund for bond proceeds received during the year and used to pay off the line of credit.
- The Capital Projects Fund received bond proceeds of \$5,965,000 and bond premium of \$104,384. During the year, transfers of \$1,341,489 were made to the Special Revenue, Secondary Roads Fund to reimburse for project expenditures and \$3,248,568 was transferred to the Debt Service Fund to pay off the interim debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget three times. The first amendment was made in November 2017 and resulted in an increase in budgeted disbursements related to six different functions. The largest amendment was to the debt service function to pay off the tax increment financing line of credit with general obligation bond proceeds. Budgeted receipts were amended for an EDA pass through grant and insurance proceeds. Budgeted disbursements were increased for campground construction, construction equipment, Auditor's Office staffing, Hungry Canyons project, HIPPA consulting and roofing repairs. The second amendment was made in May 2018 and resulted in increases in budgeted disbursements in four functions offset by reductions in three functions for a total decrease of \$156,403. The third amendment was made in June 2018 and resulted in increased budgeted disbursements in the mental health function for additional funds paid to the region.

The County's receipts were \$437,275 more than budgeted, a variance of 5.4%. Total disbursements were \$621,395 less than the amended budget, a variance of 4.3%.

During the year, disbursements by function did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Audubon County had approximately \$22.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,248,000, or 11.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 931	931
Construction in progress	3,083	706
Buildings and improvements	607	632
Equipment and vehicles	2,562	2,785
Infrastructure, road network and other	14,889	14,770
Total	\$ 22,072	19,824

The County had depreciation expense of \$1,605,022 for fiscal year 2018 and total accumulated depreciation of \$13,669,943 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Audubon County had approximately \$7,038,000 of general obligation bonds and other debt outstanding, compared to approximately \$4,198,000 at June 30, 2017, as shown below.

	Outstanding Debt of Governmental Activities at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2018	2017
General obligation bonds	\$ 6,404	184
Anticipation project notes	-	3,180
Capital lease purchase agreement	634	834
Total	\$ 7,038	4,198

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. 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. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$41 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Another major factor is the taxable valuation of property within the County. The taxable valuation for rural areas for fiscal year 2019 is up 8.3% to \$356 million and the countywide taxable valuation increased 8.9% to \$428 million.

Audubon County budgets on a cash basis. Budgeted disbursements for fiscal year 2019 are approximately \$10.8 million, a decrease of 25% from the final fiscal year 2018 budget. The operating ending balance is expected to decrease approximately \$2,200,000 from the re-estimated June 30, 2018 balance. The fiscal year 2018 actual cash basis ending balance was approximately \$6.0 million, approximately \$665,000 higher than projected, which will increase the estimated fiscal year 2019 ending balance accordingly.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon 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 Audubon County Auditor's Office, 318 Leroy Street, #4, Audubon, Iowa 50025.

Basic Financial Statements

Audubon County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 6,076,342
Receivables:	
Property tax:	
Delinquent	2,735
Succeeding year	4,246,000
Succeeding year tax increment financing	284,000
Interest and penalty on property tax	10,655
Accounts	15,252
Loan	22,621
Accrued interest	5,673
Due from other governments	242,098
Inventories	300,357
Prepaid expenses	37,835
Capital assets, net of accumulated depreciation	22,071,774
Total assets	33,315,342
Deferred Outflows of Resources	
Pension related deferred outflows	765,339
Liabilities	
Accounts payable	120,004
Accrued interest payable	67,801
Salaries and benefits payable	54,195
Due to other governments	11,281
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	205,520
Bonds payable	170,000
Compensated absences	114,952
Portion due or payable after one year:	
Capital lease purchase agreement	428,156
Bonds payable	6,234,189
Compensated absences	107,990
Net pension liability	2,069,142
Total OPEB liability	422,051
Total liabilities	10,005,281
Deferred Inflows of Resources	
Unavailable property tax revenue	4,246,000
Unavailable tax increment financing	284,000
Pension related deferred inflows	61,591
Total deferred inflows of resources	4,591,591
Net Position	
Net investment in capital assets	16,923,161
Restricted for:	
Supplemental levy purposes	634,180
Mental health purposes	802,474
Rural services purposes	482,291
Secondary roads purposes	1,091,085
Other purposes	292,468
Unrestricted	(741,850)
Total net position	\$ 19,483,809

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,381,825	170,130	350	-	(1,211,345)
Physical health and social services	725,060	196,581	98,453	-	(430,026)
Mental health	173,165	-	2,694	-	(170,471)
County environment and education	998,135	91,513	18,764	2,956	(884,902)
Roads and transportation	5,335,218	21,475	2,738,305	2,081,101	(494,337)
Governmental services to residents	374,558	112,529	-	-	(262,029)
Administration	852,278	20,624	200	-	(831,454)
Interest on long-term debt	121,138	-	-	-	(121,138)
Total	\$ 9,961,377	612,852	2,858,766	2,084,057	(4,405,702)
General Revenues:					
Property and other county tax levied for general purposes					3,876,221
Tax increment financing					201,664
Penalty and interest on property tax					20,904
State tax credits					251,382
Local option sales tax					247,841
Unrestricted investment earnings					48,408
Gain on disposition of capital assets					37,297
Miscellaneous					194,459
Total general revenues					4,878,176
Change in net position					472,474
Net position beginning of year, as restated					19,011,335
Net position end of year					\$ 19,483,809

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,119,792	802,822	612,952	771,556
Receivables:				
Property tax:				
Delinquent	2,555	73	107	-
Succeeding year	2,611,000	-	1,635,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	10,655	-	-	-
Accounts	15,111	-	-	141
Loan	22,621	-	-	-
Accrued interest	5,651	-	-	-
Due from other governments	21,960	-	-	220,138
Inventories	-	-	589	299,768
Prepaid expenditures	22,702	-	-	15,133
Total assets	\$ 4,832,047	802,895	2,248,648	1,306,736
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 47,928	53	6,379	65,644
Salaries and benefits payable	24,621	368	4,331	24,875
Due to other governments	10,380	-	109	792
Total liabilities	82,929	421	10,819	91,311
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,611,000	-	1,635,000	-
Succeeding year tax increment financing	-	-	-	-
Other	13,210	73	107	-
Total deferred inflows of resources	2,624,210	73	1,635,107	-
Fund balances:				
Nonspendable:				
Inventories	-	-	589	299,768
Prepaid expenditures	22,702	-	-	15,133
Loan receivable	22,621	-	-	-
Restricted for:				
Supplemental levy purposes	543,298	-	102,376	-
Mental health purposes	-	802,401	-	-
Rural services purposes	-	-	499,757	-
Secondary road purposes	-	-	-	900,524
Conservation land acquisition	900	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Cass-Audubon economic development agreement	40,000	-	-	-
Sheriff	46,347	-	-	-
Fairboard	22,500	-	-	-
Park improvements	78,482	-	-	-
Economic development	1,908	-	-	-
Jail commissary	1,021	-	-	-
Unassigned	1,345,129	-	-	-
Total fund balances	2,124,908	802,401	602,722	1,215,425
Total liabilities, deferred inflows of resources and fund balances	\$ 4,832,047	802,895	2,248,648	1,306,736

See notes to financial statements.

Capital Projects	Nonmajor	Total
1,450,063	291,546	6,048,731
-	-	2,735
-	-	4,246,000
-	284,000	284,000
-	-	10,655
-	-	15,252
-	-	22,621
-	22	5,673
-	-	242,098
-	-	300,357
-	-	37,835
<u>1,450,063</u>	<u>575,568</u>	<u>11,215,957</u>
-	-	120,004
-	-	54,195
-	-	11,281
-	-	185,480
-	-	4,246,000
-	284,000	284,000
-	-	13,390
-	284,000	4,543,390
-	-	300,357
-	-	37,835
-	-	22,621
-	-	645,674
-	-	802,401
-	-	499,757
-	-	900,524
-	-	900
1,450,063	-	1,450,063
-	85,789	85,789
-	205,779	205,779
-	-	40,000
-	-	46,347
-	-	22,500
-	-	78,482
-	-	1,908
-	-	1,021
-	-	1,345,129
<u>1,450,063</u>	<u>291,568</u>	<u>6,487,087</u>
<u>1,450,063</u>	<u>575,568</u>	<u>11,215,957</u>

Audubon County

Audubon County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 6,487,087

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 \$35,741,717 and the accumulated depreciation is \$13,669,943. 22,071,774

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. 13,390

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

Deferred outflows of resources	765,339	
Deferred inflows of resources	<u>(61,591)</u>	703,748

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 27,611

Long-term liabilities, including capital lease purchase agreement payable, bonds payable, net pension liability, total OPEB liability, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (9,819,801)

Net position of governmental activities (page 18) \$ 19,483,809

See notes to financial statements.

Audubon County

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

Year ended June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,278,979	104,940	1,492,879	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	247,841
Interest and penalty on property tax	18,977	-	-	-
Intergovernmental	536,108	10,014	88,061	2,758,534
Licenses and permits	18,703	-	-	2,025
Charges for service	283,343	-	-	-
Use of money and property	69,372	-	-	-
Miscellaneous	39,723	-	-	212,228
Total revenues	3,245,205	114,954	1,580,940	3,220,628
Expenditures:				
Operating:				
Public safety and legal services	1,068,532	-	246,746	-
Physical health and social services	714,437	-	-	-
Mental health	-	173,116	-	-
County environment and education	689,449	-	168,167	-
Roads and transportation	-	-	384,627	3,893,321
Governmental services to residents	361,067	-	1,185	-
Administration	758,693	-	12,933	-
Debt service	47,077	-	-	133,109
Capital projects	34,328	-	969	1,602,133
Total expenditures	3,673,583	173,116	814,627	5,628,563
Excess (deficiency) of revenues over (under) expenditures	(428,378)	(58,162)	766,313	(2,407,935)
Other financing sources (uses):				
General obligation bonds issued	300,000	-	-	-
Proceeds from line of credit	-	-	-	233,337
Premium on general obligation bond	-	-	-	-
Transfers in	-	-	-	2,066,489
Transfers out	-	-	(725,000)	(6,871)
Sale of capital assets	-	-	1,250	5,700
Total other financing sources (uses)	300,000	-	(723,750)	2,298,655
Change in fund balances	(128,378)	(58,162)	42,563	(109,280)
Fund balances beginning of year	2,253,286	860,563	560,159	1,324,705
Fund balances end of year	\$ 2,124,908	802,401	602,722	1,215,425

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	3,876,798
-	-	201,664	201,664
-	-	-	247,841
-	-	-	18,977
-	-	21,439	3,414,156
-	-	-	20,728
-	-	1,226	284,569
-	-	253	69,625
-	-	350	252,301
-	-	224,932	8,386,659
-	-	-	1,315,278
-	-	-	714,437
-	-	-	173,116
-	-	55,674	913,290
-	-	-	4,277,948
-	-	2,000	364,252
-	29,264	-	800,890
3,248,568	-	89,526	3,518,280
-	-	-	1,637,430
3,248,568	29,264	147,200	13,714,921
(3,248,568)	(29,264)	77,732	(5,328,262)
-	5,965,000	-	6,265,000
-	-	-	233,337
-	104,384	-	104,384
3,248,568	-	6,871	5,321,928
-	(4,590,057)	-	(5,321,928)
-	-	-	6,950
3,248,568	1,479,327	6,871	6,609,671
-	1,450,063	84,603	1,281,409
-	-	206,965	5,205,678
-	1,450,063	291,568	6,487,087

Audubon County

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

Year ended June 30, 2018

Change in fund balances - Total governmental funds (page 25) \$ 1,281,409

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

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

Expenditures for capital assets	\$ 1,934,165	
Capital assets contributed by the Iowa Department of Transportation	2,080,150	
Depreciation expense	<u>(1,605,022)</u>	2,409,293

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. (161,653)

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 and other county tax	(577)	
Other	<u>(9,671)</u>	(10,248)

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

Issued	(6,498,337)	
Repaid	<u>3,658,321</u>	(2,840,016)

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position. 248,197

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	(32,622)	
OPEB expense	(58,283)	
Pension expense	(330,054)	
Interest on long-term debt	<u>(61,160)</u>	(482,119)

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

		<u>27,611</u>
Change in net position of governmental activities (page 19)		<u>\$ 472,474</u>

See notes to financial statements.

Audubon County
Statement of Net Position
Proprietary Fund

June 30, 2018

	<u>Internal Service - Health Insurance Reserve Account</u>
Assets	
Cash and cash equivalents	<u>\$ 27,611</u>
Net Position	
Unrestricted	<u>\$ 27,611</u>

Audubon County

Statement of Revenues, Expenses
And Changes in Fund Net Position
Proprietary Fund

June 30, 2018

	<u>Internal Service - Health Insurance Reserve Account</u>
Operating revenues:	
Miscellaneous	\$ 27,611
Operating expenses:	
None	<u>-</u>
Operating income/net income	27,611
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$ 27,611</u></u>

Audubon County
Statement of Cash Flows
Proprietary Fund

June 30, 2018

	<u>Internal Service - Health Insurance Reserve Account</u>
Cash flows from operating activities:	
Cash received from operating funds/	
Net cash provided by operating activities	\$ 27,611
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 27,611</u>

Audubon County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash and pooled investments:

County Treasurer \$ 875,211

Receivables:

Property tax:

Delinquent 8,151

Succeeding year 7,949,000

Accounts 4,305

Accrued interest 197

Special assessments 1,886

Due from other governments 85,495

Prepaid expenses 7,569**Total assets**8,931,814**Liabilities**

Liabilities:

Accounts payable 261

Salaries and benefits payable 431

Due to other governments 8,851,351

Trusts payable 64,348

Compensated absences 15,423**Total liabilities**8,931,814**Net position**\$ -

See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide 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 Internal Service Funds 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 which is valued at amortized cost 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 and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure, roads	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension 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 hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in

accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Audubon 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, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to the 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$98,149 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) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 725,000
Secondary Roads	Capital Projects	<u>1,341,489</u>
		2,066,489
Special Revenue: Tax Increment Financing	Special Revenue: Secondary Roads	6,871
Debt Service	Capital Projects	<u>3,248,568</u>
Total		<u>\$ 5,321,928</u>

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

(4) Capital Assets

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

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	706,187	3,580,924	1,204,054	3,083,057
Total capital assets not being depreciated	1,637,073	3,580,924	1,204,054	4,013,943
Capital assets being depreciated:				
Buildings	1,309,123	6,920	-	1,316,043
Building improvements	205,035	-	-	205,035
Equipment and vehicles	6,750,048	439,970	371,968	6,818,050
Infrastructure, roads	20,869,603	1,204,054	-	22,073,657
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	30,448,798	1,650,944	371,968	31,727,774
Less accumulated depreciation for:				
Buildings	677,352	31,782	-	709,134
Building improvements	205,035	-	-	205,035
Equipment and vehicles	3,965,309	488,001	196,815	4,256,495
Infrastructure, roads	6,726,937	1,020,740	-	7,747,677
Infrastructure, other	687,103	64,499	-	751,602
Total accumulated depreciation	12,261,736	1,605,022	196,815	13,669,943
Total capital assets being depreciated, net	18,187,062	45,922	175,153	18,057,831
Governmental activities capital assets, net	19,824,135	3,626,846	1,379,207	22,071,774

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,658
County environment and education	76,671
Roads and transportation	1,446,104
Administration	26,589
	<u>\$ 1,605,022</u>

The County acquired five motor graders for Secondary Roads under a capital lease purchase agreement. The cost of the equipment was \$1,435,792 and the accumulated depreciation at June 30, 2018 was \$373,381.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 10,380
Special Revenue:		
Rural Services		109
Secondary Roads	Services	792
Total for governmental funds		<u>\$ 11,281</u>
Agency:		
County Offices	Collections	\$ 11,666
Agriculture Extension Education		121,487
County Assessor		308,454
County Hospital		1,016,054
Schools		4,813,317
Community Colleges		303,176
Corporations		1,285,782
Townships		219,320
Auto License and Use Tax		169,313
All other		602,782
Total for agency funds		<u>\$ 8,851,351</u>

(6) Long-Term Liabilities

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

	General Obligation Economic Development Bonds	General Obligation Urban Renewal Bonds	Anticipation Project Notes	Capital Lease Purchase Agreement	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 184,189	-	3,179,965	833,695	190,320	1,893,563	363,768	6,645,500
Increases	-	6,265,000	233,337	-	158,084	175,579	58,283	6,890,283
Decreases	45,000	-	3,413,302	200,019	125,462	-	-	3,783,783
Balance end of year	<u>\$ 139,189</u>	<u>6,265,000</u>	<u>-</u>	<u>633,676</u>	<u>222,942</u>	<u>2,069,142</u>	<u>422,051</u>	<u>9,752,000</u>
Due within one year	\$ 40,000	130,000	-	205,520	114,952	-	-	490,472

General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds were provided to Valley Business Park Corporation to purchase land for economic development. The County expects to pay \$40,000 annually toward principal and interest on the debt with Valley Business Park Corporation contributing the remainder of the payment. No formal agreement exists between the County and Valley Business Park Corporation detailing the terms for repayment of the debt. However, at June 30, 2018, a loan receivable of \$22,621 has been recognized in the County's financial statements representing the amount Valley Business Park Corporation is expected to contribute to the repayment of the County's debt.

In February 2018, the County issued \$6,265,000 of general obligation urban renewal bonds for the purpose of paying costs of carrying out projects in the Audubon County consolidation urban renewal area consisting of construction, reconstruction and improvement of county roads and making an economic development grant to Audubon County Economic Development.

Details of the general obligation bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Interest Rates	Economic Development		Interest Rates	Urban Renewal		Total
		Principal	Interest		Principal	Interest	
2019	6.25%	\$ 40,000	5,694	3.00%	\$ 130,000	241,305	416,999
2020	6.25	45,000	4,120	3.00	170,000	184,538	403,658
2021	6.25	45,000	2,333	3.00	265,000	179,438	491,771
2022	6.25	9,189	559	3.00	315,000	171,487	496,235
2023		-	-	3.00	325,000	162,037	487,037
2024-2028		-	-	3.00	1,780,000	657,937	2,437,937
2029-2033		-	-	3.00	2,065,000	374,287	2,439,287
2034-2036		-	-	3.00-3.125	1,215,000	72,563	1,287,563
		<u>\$ 139,189</u>	<u>12,706</u>		<u>\$ 6,265,000</u>	<u>2,043,592</u>	<u>8,460,487</u>

During the year ended June 30, 2018, \$45,000 of bonds were retired and interest of \$7,078 was paid.

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease 5 motor graders with historical cost of \$1,435,792. The following is a schedule of the future minimum lease payments, including interest at 2.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2018:

Year Ending June 30,	Motor Graders
2019	\$ 222,946
2020	222,946
2021	<u>222,951</u>
Total minimum lease payments	668,843
Less amount representing interest	<u>(35,167)</u>
Present value of net minimum lease payments	<u>\$ 633,676</u>

During the year ended June 30, 2018, \$200,019 of principal and \$22,927 of interest was paid under the lease purchase agreement.

(7) Pension Plan

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 or 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 received 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 contributions 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 the 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 \$248,197.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$2,069,142 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, 2018, the County's collective proportion was 0.031062%, which was an increase of 0.000973% over its collective proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$330,054. 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	\$ 26,322	27,210
Changes of assumptions	423,983	4,003
Net difference between projected and actual earnings on IPERS' investments	-	26,783
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	66,837	3,595
County contributions subsequent to the measurement date	248,197	-
Total	<u>\$ 765,339</u>	<u>61,591</u>

\$248,197 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 66,611
2020	205,825
2021	128,494
2022	22,338
2023	32,283
Total	<u>\$ 455,551</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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:

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 3,683,129	2,069,142	714,305

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

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

(8) Other Postemployment Benefits (OPEB)

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>60</u>
Total	<u><u>60</u></u>

Total OPEB Liability – The County's total OPEB liability of \$422,051 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

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

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

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 363,768
Changes for the year:	
Service cost	32,042
Interest	13,989
Differences between expected and actual experiences	9,088
Changes in assumptions	13,387
Benefit payments	<u>(10,223)</u>
Net changes	<u>58,283</u>
Total OPEB liability end of year	<u>\$ 422,051</u>

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

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

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 448,629	422,051	397,150

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	\$ 388,758	422,051	460,024

OPEB Expense – For the year ended June 30, 2018, the County recognized OPEB expense of \$58,283. The County utilized the alternative measurement method which results in all deferred outflows/inflows of resources related to OPEB being fully recognized in the current fiscal year.

(9) Voluntary Termination Benefit Program for the County Engineer's and Sheriff's Offices

A voluntary termination benefit program has been established for County employees who are covered by the County Engineer Union contract and the County Sheriff Union contract. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay towards the purchase of health insurance after their retirement.

Upon retirement, employees with at least 15 years of service may convert 25% of their accumulated, unused sick leave at their current regular hourly rate of pay.

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. Each month, the County will pay 100% of the employee's monthly health insurance premium from the retiree's Sick Leave Upon Retirement account.

The employer will continue to pay the employee's monthly health insurance premium each month until the converted value of the retiree's Sick Leave Upon Retirement balance is exhausted.

All program benefits are financed on a pay-as-you-go basis by the County. A liability of \$65,799 has been included in compensated absences on the Statement of Net Position.

During the year ended June 30, 2018, one employee received benefits totaling \$842 under the Sick Leave Upon Retirement program.

(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 expense 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 \$123,560.

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 shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$25,000, 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) 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.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2018, \$24,603 of property tax was diverted from the County under the urban renewal projects.

(12) Development Agreement

The County agreed to rebate 50% of the incremental property tax paid by West Central Cooperative Inc., up to a maximum of \$55,674 per year, in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to West Central Cooperative, Inc. for a period not to exceed 10 years or in a cumulative amount not to exceed a total of \$325,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2013.

The total rebated during the year ended June 30, 2018 was \$55,674 and the cumulative rebated amount is \$231,666.

(13) Audubon County Financial Information Included in the Heart of Iowa Community Services Mental Health Region

Heart of Iowa 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: Dallas, Greene, Guthrie and Audubon County. The financial activity of Audubon County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Community Services Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		\$ 104,940
Intergovernmental:		
State tax credits	\$ 7,320	
Other	2,694	10,014
Total revenues		<u>114,954</u>
Expenditures:		
Services to persons with:		
Mental illness		2,979
General administration:		
Distribution to regional fiscal agent		<u>170,137</u>
Total expenditures		<u>173,116</u>
Excess of expenditures over revenues		(58,162)
Fund balance beginning of year		<u>860,563</u>
Fund balance end of year		<u>\$ 802,401</u>

(14) Prospective Accounting Change

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

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 19,209,178
Net OPEB obligation measured under previous standards	165,925
Total OPEB liability at June 30, 2017	<u>(363,768)</u>
Net position July 1, 2017, as restated	<u>\$ 19,011,335</u>

Required Supplementary Information

Audubon County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 4,323,222	4,293,643	4,282,179	41,043
Interest and penalty on property tax	18,977	-	-	18,977
Intergovernmental	3,608,351	3,257,188	3,411,168	197,183
Licenses and permits	19,833	10,000	1,000	18,833
Charges for service	279,583	206,730	206,730	72,853
Use of money and property	64,735	20,511	20,511	44,224
Miscellaneous	255,697	13,260	211,535	44,162
Total receipts	8,570,398	7,801,332	8,133,123	437,275
Disbursements:				
Public safety and legal services	1,311,476	1,514,579	1,430,754	119,278
Physical health and social services	697,317	671,770	720,270	22,953
Mental health	172,795	145,175	177,397	4,602
County environment and education	955,998	648,132	965,632	9,634
Roads and transportation	4,367,678	3,947,874	4,510,874	143,196
Governmental services to residents	355,546	396,541	398,586	43,040
Administration	793,898	842,705	965,020	171,122
Nonprogram	-	100	100	100
Debt service	3,471,203	157,448	3,471,204	1
Capital projects	1,637,378	1,898,278	1,744,767	107,389
Total disbursements	13,763,289	10,222,602	14,384,604	621,315
Excess (deficiency) of receipts over (under) disbursements	(5,192,891)	(2,421,270)	(6,251,481)	1,058,590
Other financing sources, net	6,609,671	1,776,500	6,606,222	3,449
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,416,780	(644,770)	354,741	1,062,039
Balance beginning of year	4,631,951	4,435,027	4,631,951	-
Balance end of year	\$ 6,048,731	3,790,257	4,986,692	1,062,039

See accompanying independent auditor's report.

Audubon County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,570,398	(183,739)	8,386,659
Expenditures	13,763,289	(48,368)	13,714,921
Net	(5,192,891)	(135,371)	(5,328,262)
Other financing sources, net	6,609,671	-	6,609,671
Beginning fund balances	4,631,951	573,727	5,205,678
Ending fund balances	\$ 6,048,731	438,356	6,487,087

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the 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, Debt Service Fund and 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 \$4,162,082. 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.

Audubon 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	0.031062%	0.030089%	0.028348%	0.026995%
County's proportionate share of the net pension liability	\$ 2,069	1,894	1,400	1,071
County's covered payroll	\$ 2,650	2,492	2,384	2,295
County's proportionate share of the net pension liability as a percentage of its covered payroll	78.08%	76.00%	58.72%	46.67%
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.

Audubon County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 248	242	227	220
Contributions in relation to the statutorily required contribution	<u>(248)</u>	<u>(242)</u>	<u>(227)</u>	<u>(220)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 2,745	2,650	2,492	2,384
Contributions as a percentage of covered payroll	9.03%	9.13%	9.11%	9.23%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
210	197	181	157	153	136
(210)	(197)	(181)	(157)	(153)	(136)
-	-	-	-	-	-
2,295	2,207	2,156	2,119	2,216	2,089
9.15%	8.93%	8.40%	7.41%	6.90%	6.51%

Audubon County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

Audubon County
 Schedule of Funding Progress for the
 Retiree Health Plan
 (In Thousands)
 For the Current Year
 Required Supplementary Information

	2018
Service cost	\$ 32,042
Interest cost	13,989
Difference between expected and actual experiences	9,088
Changes in assumptions	13,387
Benefit payments	(10,223)
Net change in total OPEB liability	58,283
Total OPEB liability beginning of year, as restated	363,768
Total OPEB liability end of year	\$ 422,051
Covered-employee payroll	\$ 2,606,392
Total OPEB liability as a percentage of covered-employee payroll	16.2%

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%

Audubon County

Supplementary Information

Audubon County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

			<u>Special</u>
	Resource Enhancement and Protection	County Recorder's Records Management	Forfeiture
Assets			
Cash and pooled investments	\$ 43,107	1,205	33,316
Receivables:			
Succeeding year tax increment financing	-	-	-
Accrued interest	-	-	-
Total assets	\$ 43,107	1,205	33,316
Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable succeeding year tax increment financing	\$ -	-	-
Fund balances:			
Restricted for:			
Other purposes	43,107	1,205	33,316
Debt service	-	-	-
Total fund balances	43,107	1,205	33,316
Total deferred inflows of resources and fund balances	\$ 43,107	1,205	33,316

See accompanying independent auditor's report.

<u>Revenue</u>				
<u>AAE Task Force</u>	<u>Equitable Sharing - Sheriff</u>	<u>Equitable Sharing - Attorney</u>	<u>Tax Increment Financing</u>	<u>Total</u>
3,254	105,584	19,291	85,789	291,546
-	-	-	284,000	284,000
-	20	2	-	22
<u>3,254</u>	<u>105,604</u>	<u>19,293</u>	<u>369,789</u>	<u>575,568</u>

-	-	-	284,000	284,000
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3,254	105,604	19,293	-	205,779
-	-	-	85,789	85,789
<u>3,254</u>	<u>105,604</u>	<u>19,293</u>	<u>85,789</u>	<u>291,568</u>
<u>3,254</u>	<u>105,604</u>	<u>19,293</u>	<u>369,789</u>	<u>575,568</u>

Audubon County

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

Year ended June 30, 2018

	Resource Enhancement and Protection	County Recorder's Records Management	Special Forfeiture
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	8,763	-	-
Charges for service	-	1,226	-
Use of money and property	20	-	-
Miscellaneous	-	-	-
Total revenues	<u>8,783</u>	<u>1,226</u>	<u>-</u>
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	-	2,000	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>2,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	8,783	(774)	-
Other financing sources:			
Transfers in	-	-	-
Change in fund balances	8,783	(774)	-
Fund balances beginning of year	<u>34,324</u>	<u>1,979</u>	<u>33,316</u>
Fund balances end of year	<u>\$ 43,107</u>	<u>1,205</u>	<u>33,316</u>

See accompanying independent auditor's report.

<u>Revenue</u>					
AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Tax Increment Financing		Total
-	-	-	201,664		201,664
-	-	-	12,676		21,439
-	-	-	-		1,226
-	213	20	-		253
350	-	-	-		350
350	213	20	214,340		224,932
-	-	-	55,674		55,674
-	-	-	-		2,000
-	-	-	89,526		89,526
-	-	-	145,200		147,200
350	213	20	69,140		77,732
-	-	-	6,871		6,871
350	213	20	76,011		84,603
2,904	105,391	19,273	9,778		206,965
3,254	105,604	19,293	85,789		291,568

Audubon County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	County Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ 12,268	408	80,692	3,398	16,315
Receivables:					
Property tax:					
Delinquent	-	79	163	656	3,002
Succeeding year	-	121,000	236,000	1,012,000	4,794,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	7,569	-	-
Total assets	\$ 12,268	121,487	324,424	1,016,054	4,813,317
Liabilities					
Accounts payable	\$ -	-	116	-	-
Salaries and benefits payable	-	-	431	-	-
Due to other governments	11,666	121,487	308,454	1,016,054	4,813,317
Trusts payable	602	-	-	-	-
Compensated absences	-	-	15,423	-	-
Total liabilities	\$ 12,268	121,487	324,424	1,016,054	4,813,317

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
999	17,724	305	169,313	573,789	875,211
177	4,058	15	-	1	8,151
302,000	1,264,000	219,000	-	1,000	7,949,000
-	-	-	-	4,305	4,305
-	-	-	-	197	197
-	-	-	-	1,886	1,886
-	-	-	-	85,495	85,495
-	-	-	-	-	7,569
303,176	1,285,782	219,320	169,313	666,673	8,931,814
-	-	-	-	145	261
-	-	-	-	-	431
303,176	1,285,782	219,320	169,313	602,782	8,851,351
-	-	-	-	63,746	64,348
-	-	-	-	-	15,423
303,176	1,285,782	219,320	169,313	666,673	8,931,814

Audubon 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	County Hospital	County Schools
Balances beginning of year	\$ 10,032	119,084	312,376	993,853	4,743,687
Additions:					
Property and other county tax	-	115,648	224,862	965,743	4,573,765
911 surcharge	-	-	-	-	-
State tax credits	-	7,858	16,244	65,484	315,512
Office fees and collections	141,603	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	17,664	-	-	-	-
Miscellaneous	-	-	84	-	-
Total additions	159,267	123,506	241,190	1,031,227	4,889,277
Deductions:					
Agency remittances:					
To other funds	77,961	-	-	-	-
To other governments	60,776	121,103	229,142	1,009,026	4,819,647
Trusts paid out	18,294	-	-	-	-
	157,031	121,103	229,142	1,009,026	4,819,647
Balances end of year	<u>\$ 12,268</u>	<u>121,487</u>	<u>324,424</u>	<u>1,016,054</u>	<u>4,813,317</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
287,850	1,344,002	219,511	175,192	487,869	8,693,456
288,678	1,172,656	201,286	-	1,164	7,543,802
-	-	-	-	25,735	25,735
18,894	219,511	9,633	-	81	653,217
-	-	-	-	-	141,603
-	-	-	2,368,539	-	2,368,539
-	-	-	-	11,176	11,176
-	-	-	-	70,877	88,541
-	-	-	-	227,620	227,704
307,572	1,392,167	210,919	2,368,539	336,653	11,060,317
-	-	-	74,401	-	152,362
292,246	1,450,387	211,110	2,300,017	112,090	10,605,544
-	-	-	-	45,759	64,053
292,246	1,450,387	211,110	2,374,418	157,849	10,821,959
303,176	1,285,782	219,320	169,313	666,673	8,931,814

Audubon County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 3,876,798	3,730,942	3,527,666	3,485,797
Tax increment financing	201,664	145,762	62,342	29,838
Local option sales tax	247,841	279,922	271,219	257,299
Interest and penalty on property tax	18,977	22,188	2,471	25,509
Intergovernmental	3,414,156	3,670,689	4,153,940	3,392,261
Licenses and permits	20,728	18,149	18,059	20,981
Charges for service	284,569	257,485	275,371	243,060
Use of money and property	69,625	42,379	39,961	40,578
Miscellaneous	252,301	53,374	161,662	89,954
Total	<u>\$ 8,386,659</u>	<u>8,220,890</u>	<u>8,512,691</u>	<u>7,585,277</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,315,278	1,211,549	1,224,285	1,247,374
Physical health and social services	714,437	575,084	585,452	557,236
Mental health	173,116	190,073	121,160	123,209
County environment and education	913,290	564,937	803,029	418,009
Roads and transportation	4,277,948	5,302,504	4,859,086	3,695,082
Governmental services to residents	364,252	337,918	314,193	282,009
Administration	800,890	758,697	669,661	649,867
Debt service	3,518,280	220,295	58,714	66,203
Capital projects	1,637,430	965,179	2,268,816	410,345
Total	<u>\$ 13,714,921</u>	<u>10,126,236</u>	<u>10,904,396</u>	<u>7,449,334</u>

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
3,558,722	3,846,211	3,476,195	3,301,560	3,260,256	3,165,443
51,049	-	-	-	-	-
264,025	268,687	242,276	290,899	205,436	252,399
23,612	20,974	24,799	29,155	23,401	18,757
3,095,806	2,996,795	2,998,188	3,851,963	3,317,115	3,042,035
12,950	17,329	25,264	18,893	13,324	9,430
219,127	243,770	245,291	259,249	226,123	243,189
26,474	29,102	45,219	43,003	64,827	66,821
45,791	129,890	171,682	73,608	122,386	93,200
<u>7,297,556</u>	<u>7,552,758</u>	<u>7,228,914</u>	<u>7,868,330</u>	<u>7,232,868</u>	<u>6,891,274</u>
1,118,953	1,055,931	1,048,453	1,047,406	1,020,955	980,359
514,634	488,418	560,091	570,098	586,559	563,834
67,910	155,940	1,039,242	796,462	658,737	879,184
456,250	451,977	451,191	1,249,182	560,321	458,616
3,352,445	3,550,745	3,341,539	2,904,858	2,718,188	2,923,000
271,696	314,132	318,730	304,034	299,890	306,424
623,242	650,937	696,884	666,107	716,681	644,180
108,757	151,401	129,573	132,895	171,571	161,098
26,701	399,279	333,161	36,347	60,925	440,636
<u>6,540,588</u>	<u>7,218,760</u>	<u>7,918,864</u>	<u>7,707,389</u>	<u>6,793,827</u>	<u>7,357,331</u>



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Audubon County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon 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 July 9 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

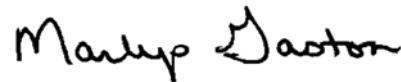
Audubon County's Responses to the Findings

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

July 9 2019

Audubon County
 Schedule of Findings
 Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	County Recorder and County Engineer
(2) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash.	County Recorder and County Treasurer
(3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Recorder, County Engineer and County Treasurer
(4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	County Recorder
(5) One individual has custody of the petty cash fund and is also responsible for voucher approval, fund replenishment and for depositing, recording and reconciling cash receipts.	County Treasurer
(6) Investments – investing, custody and accounting.	County Treasurer

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

Audubon County

Schedule of Findings

Year ended June 30, 2018

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

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

Responses –

County Treasurer – The Treasurer opens the mail and employees receipt in the transactions. With only three in the office, it is hard to not handle money during the day if you are balancing at the end of the day or month.

County Engineer – With only having the Engineer and Office Manager, the Engineer will perform the segregated functions and will review transactions to the best of my ability. With only two employees in the front office, we are always in and out of the office. We have hired a project inspector who could be trained on performing some of these functions.

County Recorder – With only the Recorder and Deputy in the office, it is not possible to segregate duties. As Recorder, I oversee everything my Deputy does.

Conclusions – Responses acknowledged. Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon 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 amount budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tyler Thygesen, Data Processing Specialist in Sheriff’s Office, self-employed	Medical investigating services	\$ 1,000
Elmquist Welding & RPR Inc., owned by father of Amy Elmquist, part-time clerk in Auditor’s Office	Road services parts and labor Safety gear	1,778 140
Dave Witt, brother of Chris Hemmingsen, Office Manager in Secondary Roads department, Owner of Ace Hardware	Various parts and supplies - Secondary Roads department Other County departments	4,111 6,836
Vicky Sorensen, wife of Larry Sorenson, Road Side Secondary Roads Foreman, sister owns Options Ink	Signage for Secondary Roads	351

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Tyler Thygesen and Options Ink do not appear to represent conflicts of interest since the total transaction with each were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Ace Hardware and Elmquist Welding & RPR, Inc. do not appear to represent a conflict of interest since the employee’s remuneration of employment is not directly affected as a result of the transactions and their duties do not directly involve procurement of the services, parts and supplies.

- (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.

Audubon County

Schedule of Findings

Year ended June 30, 2018

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Audubon County

Staff

This audit was performed by:

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Alexia M. Grgurich, Staff Auditor
Micaela A. Tintjer, CPA, Staff Auditor
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Colton R. Collins, Assistant Auditor