



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

February 6, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on O'Brien County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$14,751,463 for the year ended June 30, 2019, a 6.0% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$12,603.131, a 2.1% increase over the prior year. The decrease in the revenues is due primarily to decrease in contributed capital for secondary roads projects.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 80 through 84 of this report. The findings address a lack of segregation of duties, lack of maintaining the required balance in the jail commissary account and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

The County Board of Supervisors have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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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O'BRIEN COUNTY

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

JUNE 30, 2019

O'Brien County



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February 4, 2020

Officials of O'Brien County
Primghar, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for O'Brien County for the year ended June 30, 2019. 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 O'Brien 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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O'Brien County

Officials

(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Farnsworth	Board of Supervisors	Jan 2019
Daniel Friedrichsen	Board of Supervisors	Jan 2019
Sherri Bootsma	Board of Supervisors	Jan 2021
Nancy McDowell	Board of Supervisors	Jan 2021
John Steensma	Board of Supervisors	Jan 2021
Barbara Rohwer	County Auditor	Jan 2021
Missy Hattermann (Appointed Jun 2018)	County Treasurer	Nov 2018
Susan Smith	County Recorder	Jan 2019
Allen Schuknecht	County Sheriff	Jan 2021
Micah Schreurs	County Attorney	Jan 2019
Barb Rohwer (Appointed May 2018)	Acting County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sherri Bootsma	Board of Supervisors	Jan 2021
Nancy McDowell	Board of Supervisors	Jan 2021
John Steensma	Board of Supervisors	Jan 2021
Daniel Friedrichsen	Board of Supervisors	Jan 2023
Dennis Vanden Hull	Board of Supervisors	Jan 2023
Barbara Rohwer	County Auditor	Jan 2021
Missy Hattermann	County Treasurer	Jan 2023
Susan Smith	County Recorder	Jan 2023
Allen Schuknecht	County Sheriff	Jan 2021
Rachael M. Becker	County Attorney	Jan 2023
Barb Rohwer (Appointed May 2018)	Acting County Assessor	(Resigned Mar 2019)
Seth Postma (Appointed Mar 2019)	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of O'Brien 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 O'Brien County, Iowa, as of and for the year ended June 30, 2019, 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 O'Brien County as of June 30, 2019, 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.

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 51 through 60 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.

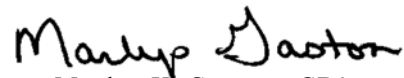
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien 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, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2020 on our consideration of O'Brien 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 O'Brien County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 6.0%, or approximately \$936,000, from fiscal year 2018 to fiscal year 2019. Property and other county tax decreased approximately \$820,000. Capital grants, contributions and restricted interest decreased approximately \$911,000. Operating grants, contributions and restricted interest increased approximately \$450,000.
- Program expenses of the County's governmental activities were approximately \$12,603,000 in fiscal year 2019, approximately \$266,000 more than fiscal year 2018. Public safety and legal services expenses increased approximately \$293,000 and mental health expenses decreased approximately \$268,000.
- The County's net position increased 5.5%, or approximately \$2,148,000, over the June 30, 2018 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 O'Brien 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 O'Brien 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 O'Brien County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service, Employee Health Insurance and Workers' Compensation Self Insurance Funds. 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 911 surcharges, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

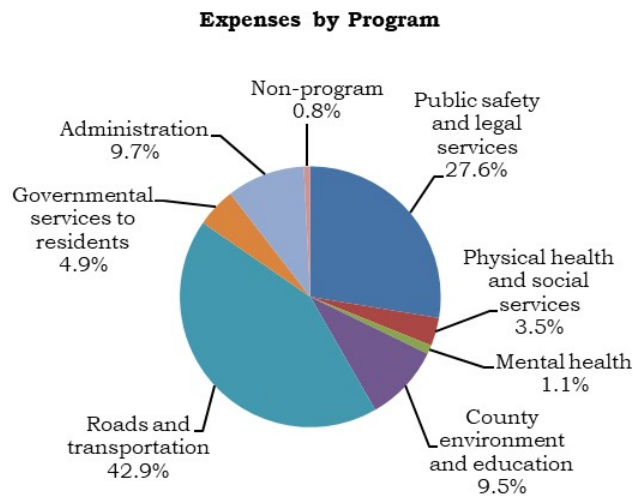
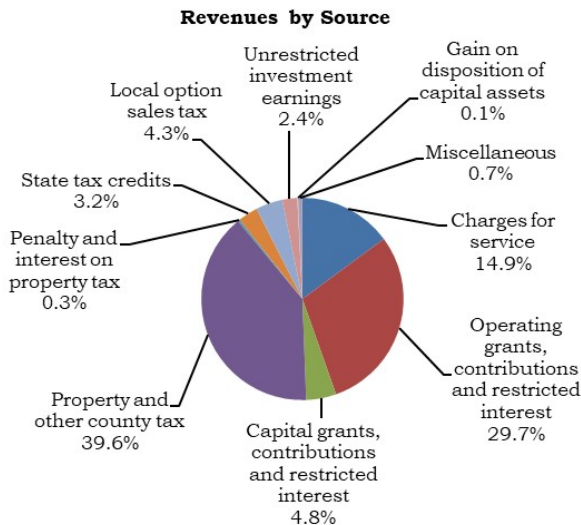
As noted earlier, net position may serve over time as a useful indicator of financial position. O’Brien County’s combined net position increased from a year ago, from approximately \$39.0 million to approximately \$41.1 million. The analysis that follows focuses on the changes in the net position of governmental activities before restatement.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 21,680	19,816
Capital assets	29,453	28,364
Total assets	51,133	48,180
Deferred outflows of resources	1,237	1,248
Long-term liabilities	3,925	4,157
Other liabilities	960	305
Total liabilities	4,885	4,462
Deferred inflows of resources	6,340	5,969
Net position:		
Net investments in capital assets	29,453	28,364
Restricted	8,010	6,986
Unrestricted	3,682	3,647
Total net position	\$ 41,145	38,997

Net position of O’Brien County’s governmental activities increased 5.5% (approximately \$39.0 million to \$41.1 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. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$3,647,000 at June 30, 2018 to approximately \$3,682,000 at the end of this year, a 1.0% increase.

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

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 2,202	2,087
Operating grants, contributions and restricted interest	4,381	3,931
Capital grants, contributions and restricted interest	709	1,620
General revenues:		
Property and other county tax	5,856	6,676
Penalty and interest on property tax	45	43
State tax credits	470	519
Local option sales tax	629	594
Unrestricted investment earnings	349	217
Gain on disposition of capital assets	11	-
Miscellaneous	99	-
Total revenues	14,751	15,687
Program expenses:		
Public safety and legal services	3,474	3,181
Physical health and social services	440	486
Mental health	142	410
County environment and education	1,199	1,006
Roads and transportation	5,391	5,256
Governmental services to residents	620	575
Administration	1,218	1,220
Non-program	104	201
Interest on long-term debt	16	2
Total expenses	12,603	12,337
Change in net position	2,148	3,350
Net position beginning of year	38,997	35,647
Net position end of year	\$ 41,145	38,997



O'Brien County's net position of governmental activities increased approximately \$2,148,000 during the year. Revenues for governmental activities decreased approximately \$936,000 from the prior year. Property and other county tax revenue decreased approximately \$820,000, or 12.3%, from the prior year due to a decrease in tax levies of 18.9% with the removal of the debt service fund levy and reductions in other levies. Capital grants, contributions and restricted interest decreased approximately \$911,000 due to a decrease in the contributed assets for roads and transportation. Operating grants, contributions and restricted interest increased approximately \$450,000, due primarily to an increase in road use tax and FEMA receipts.

The cost of all governmental activities this year was approximately \$12.6 million compared approximately \$12.3 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was approximately \$5.6 million because some of the cost was paid by those who directly benefited from the programs, approximately \$1.9 million, and by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$5.1 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2019 from approximately \$7,638,000 to approximately \$7,029,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest.

INDIVIDUAL MAJOR FUND ANALYSIS

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$12.0 million, an increase of approximately \$1,012,000 over last year's total of approximately \$11.0 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$221,000, or 3.5%, while expenditures increased approximately \$129,000 over the prior year to approximately \$5,785,000, an increase of 2.3%. The ending fund balance increased approximately \$71,000, or 1.5% over the prior year to approximately \$4,888,000.
- Mental health expenditures for the year totaled approximately \$139,000, a decrease of 65.0% from the prior year due to a decrease in revenues collected and then expended to the regional fiscal agent. Revenues decreased approximately \$205,000, a decrease of 58.8%, primarily due to a decrease in the property tax levy of 62.4%. The Special Revenue, Mental Health Fund balance increased approximately \$4,000 over the prior year to approximately \$327,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$92,000, principally due to an increase in local option sales and services tax of approximately \$35,000 and an increase in property tax revenues of approximately \$34,000. Expenditures decreased approximately \$132,000 from the prior year to approximately \$848,000, a decrease of 13.5%. The ending fund balance increased approximately \$97,000 over the prior year to approximately \$1,176,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$24,000. Expenditures decreased approximately \$507,000 over the prior year to approximately \$5,871,000, a decrease of 8.0%. The decrease is primarily due to a decrease in capital projects expenditures. The ending fund balance increased approximately \$780,000 over the prior year to approximately \$5,365,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget two times. The first amendment was made in November 2018. This resulted in an increase in budgeted disbursements of \$185,907. The second amendment was made in March 2019 and resulted in increases or decreases in budgeted disbursements in all functions to an overall decrease of \$218,248. The largest portion of this change was in the roads and transportation and capital projects functions.

The County's receipts were \$478,052 more than budgeted, a variance of 3.7%.

Total disbursements were \$2,370,651, or 16.1% less than the amended budget. Actual disbursements for the roads and transportation, county environment and education and public safety and legal services functions were under budget by \$896,642, \$324,080 and \$259,433, respectively. The roads and transportation and county environment and education functions disbursements were less than anticipated due to fewer secondary road and park improvement projects than anticipated. The public safety and legal services function did not spend as much on salaries as anticipated.

Even with the budget amendments, the County exceeded the budgeted amount in the non-program function by \$439 for the year ended June 30, 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, O'Brien County had approximately \$29.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,089,000, or 3.8%, over the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 1,019	1,019
Construction in progress, road network	327	2,356
Buildings and improvements	3,389	3,120
Equipment and vehicles	4,788	4,616
Infrastructure	19,929	17,253
Total	<u>\$ 29,453</u>	<u>28,364</u>
This year's major additions included (in thousands):		
Vehicles for Sheriff	\$	68
Mower for Conservation		24
Trucks for Secondary Roads		229
Caterpillar for Secondary Roads		307
Building for Secondary Roads		369
Infrastructure		<u>1,538</u>
Total	<u>\$</u>	<u>2,535</u>

The County had depreciation expense of \$1,465,986 in fiscal year 2019 and total accumulated depreciation of \$16,926,839 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, O'Brien County had \$166,805 of drainage warrants outstanding, compared to approximately \$174,000 at June 30, 2018.

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. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$88.9 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

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 2.2% versus 2.0% a year ago. This compares with the State's unemployment rate of 2.4% and the national rate of 3.7%.

These indicators were taken into account when adopting the budget for fiscal year 2020. Amounts available for appropriation in the operating budget were approximately \$13.0 million, an increase of less than 1% over the final fiscal year 2019 budget. Budgeted disbursements are expected to increase \$1,459,911 from fiscal year 2019 actual disbursements. If these estimates are realized, the County's budgetary operating balance is expected to decrease \$1,010,639 by the close of fiscal year 2020.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2020. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

The County fee structure is based on state law. Therefore, any increases in revenues in this area would need to be legislated. It is O'Brien County's position to charge the highest rate allowable by law to recoup the actual cost of the programs.

O'Brien County has a tendency to underestimate revenues, resulting in higher than anticipated ending fund balances. The County's philosophy is to budget for the recommended, but not currently legislated, 25% ending fund balances. This percentage is based on total expenditures in the respective fund for the year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien 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 O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51245.

Basic Financial Statements

O'Brien County
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 13,581,498
Receivables:	
Property tax:	
Delinquent	2,219
Succeeding year	5,864,000
Interest and penalty on property tax	28,584
Accounts	122,348
Accrued interest	27,672
Drainage assessments	166,805
Due from other governments	786,553
Inventories	1,022,739
Prepaid expenses	77,684
Capital assets, net of accumulated depreciation	29,452,555
Total assets	51,132,657
Deferred Outflows of Resources	
Pension related deferred outflows	1,210,050
OPEB related deferred outflows	26,849
Total deferred outflows of resources	1,236,899
Liabilities	
Accounts payable	898,367
Salaries and benefits payable	45,852
Due to other governments	15,848
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	268,768
Portion due or payable after one year:	
Drainage district warrants	166,805
Compensated absences	21,123
Net pension liability	2,997,756
Total OPEB liability	470,069
Total liabilities	4,884,588
Deferred Inflows of Resources	
Unavailable property tax revenue	5,864,000
Pension related deferred inflows	405,471
OPEB related deferred inflows	70,444
Total deferred inflows of resources	6,339,915
Net Position	
Net investment in capital assets	29,452,555
Restricted for:	
Supplemental levy purposes	951,827
Mental health purposes	326,382
Rural services purposes	1,138,007
Secondary roads purposes	5,274,973
Drainage purposes	118,669
Other purposes	200,140
Unrestricted	3,682,500
Total net position	\$ 41,145,053

See notes to financial statements.

O'Brien County
 Statement of Activities
 Year ended June 30, 2019

	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	\$ 3,473,935	1,032,758	54,488	-	(2,386,689)
Physical health and social services	439,667	26,176	142,346	-	(271,145)
Mental health	141,557	-	-	-	(141,557)
County environment and education	1,199,362	420,417	10,863	-	(768,082)
Roads and transportation	5,391,498	214,855	4,164,582	709,023	(303,038)
Governmental services to residents	619,521	318,900	313	-	(300,308)
Administration	1,218,148	58,278	8,524	-	(1,151,346)
Non-program	103,654	130,298	-	-	26,644
Interest on long-term debt	15,789	-	-	-	(15,789)
Total	\$ 12,603,131	2,201,682	4,381,116	709,023	(5,311,310)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,855,557
Penalty and interest on property tax					45,423
State tax credits					470,281
Local option sales tax					629,051
Unrestricted investment earnings					349,411
Gain on disposition of capital assets					11,395
Miscellaneous					98,524
Total general revenues					7,459,642
Change in net position					2,148,332
Net position beginning of year					38,996,721
Net position end of year					\$ 41,145,053

See notes to financial statements.

O'Brien County
Balance Sheet
Governmental Funds

June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 4,681,485	328,059	1,106,124	4,741,633
Receivables:				
Property tax:				
Delinquent	1,909	71	239	-
Succeeding year	3,417,000	194,000	2,253,000	-
Interest and penalty on property tax	28,584	-	-	-
Accounts	20,279	-	-	2,840
Accrued interest	19,820	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	261,239	-	72,283	453,031
Inventories	-	-	-	1,022,739
Prepaid expenditures	77,684	-	-	-
Total assets	\$ 8,508,000	522,130	3,431,646	6,220,243
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 32,569	-	2,366	832,120
Salaries and benefits payable	21,688	649	-	23,515
Due to other governments	15,848	-	-	-
Total liabilities	70,105	649	2,366	855,635
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,417,000	194,000	2,253,000	-
Other	132,709	71	239	-
Total deferred inflows of resources	3,549,709	194,071	2,253,239	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,022,739
Prepaid expenditures	77,684	-	-	-
Restricted for:				
Supplemental levy purposes	950,655	-	-	-
Mental health purposes	-	327,410	-	-
Rural services purposes	-	-	1,176,041	-
Secondary roads purposes	-	-	-	4,341,869
Drainage purposes	-	-	-	-
Other purposes	92,284	-	-	-
Committed for ambulance replacement	183,941	-	-	-
Unassigned	3,583,622	-	-	-
Total fund balances	4,888,186	327,410	1,176,041	5,364,608
Total liabilities, deferred inflows of resources and fund balances	\$ 8,508,000	522,130	3,431,646	6,220,243

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
244,776	11,102,077
-	2,219
-	5,864,000
-	28,584
-	23,119
-	19,820
166,805	166,805
-	786,553
-	1,022,739
-	77,684
<u>411,581</u>	<u>19,093,600</u>
18,251	885,306
-	45,852
-	15,848
<u>18,251</u>	<u>947,006</u>
-	5,864,000
<u>166,805</u>	<u>299,824</u>
<u>166,805</u>	<u>6,163,824</u>
-	1,022,739
-	77,684
-	950,655
-	327,410
-	1,176,041
-	4,341,869
118,669	118,669
107,856	200,140
-	183,941
-	3,583,622
<u>226,525</u>	<u>11,982,770</u>
<u>411,581</u>	<u>19,093,600</u>

O'Brien County

O'Brien County
 Reconciliation of the Balance Sheet –
 Governmental Funds to the Statement of Net Position

June 30, 2019

Total governmental fund balances (page 19) \$ 11,982,770

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 \$46,379,394 and the accumulated depreciation is \$16,926,839. 29,452,555

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. 299,824

The Internal Service Funds are used by management to charge the costs of partial self-funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 2,573,441

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

Deferred outflows of resources	\$ 1,236,899	
Deferred inflows of resources	<u>(475,915)</u>	760,984

Long-term liabilities, including drainage district warrants payable, compensated absences payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,924,521)

Net position of governmental activities (page 16) \$ 41,145,053

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,540,786	131,699	2,183,441	-
Local option sales tax	-	-	629,051	-
Interest and penalty on property tax	36,951	-	-	-
Intergovernmental	1,221,661	11,564	240,992	4,169,024
Licenses and permits	9,350	-	-	112,642
Charges for service	596,046	-	-	-
Use of money and property	423,898	-	-	1,980
Miscellaneous	186,492	-	5,756	95,791
Total revenues	6,015,184	143,263	3,059,240	4,379,437
Expenditures:				
Operating:				
Public safety and legal services	2,693,814	-	691,801	-
Physical health and social services	435,469	-	-	-
Mental health	1,215	138,782	-	-
County environment and education	810,432	-	154,948	-
Roads and transportation	-	-	-	5,012,030
Governmental services to residents	604,766	-	1,590	-
Administration	1,192,553	-	-	-
Non-program	47,034	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	859,459
Total expenditures	5,785,283	138,782	848,339	5,871,489
Excess (deficiency) of revenues over (under) expenditures	229,901	4,481	2,210,901	(1,492,052)
Other financing sources (uses):				
Transfers in	-	-	-	2,272,300
Transfers out	(158,432)	-	(2,113,868)	-
Drainage warrants issued	-	-	-	-
Total other financing sources (uses)	(158,432)	-	(2,113,868)	2,272,300
Change in fund balances	71,469	4,481	97,033	780,248
Fund balances beginning of year	4,816,717	322,929	1,079,008	4,584,360
Fund balances end of year	\$ 4,888,186	327,410	1,176,041	5,364,608

See notes to financial statements.

Nonmajor	Total
-	5,855,926
-	629,051
-	36,951
8,961	5,652,202
-	121,992
2,863	598,909
1,655	427,533
266,861	554,900
280,340	13,877,464
<hr/>	
-	3,385,615
-	435,469
-	139,997
198,236	1,163,616
-	5,012,030
-	606,356
-	1,192,553
-	47,034
189,649	189,649
-	859,459
387,885	13,031,778
<hr/>	
(107,545)	845,686
<hr/>	
-	2,272,300
-	(2,272,300)
166,805	166,805
166,805	166,805
<hr/>	
59,260	1,012,491
167,265	10,970,279
226,525	11,982,770

O'Brien County

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

Year ended June 30, 2019

Change in fund balances - Total governmental funds (page 23) \$ 1,012,491

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	\$ 1,833,632	
Capital assets contributed by the Iowa Department of Transportation	709,023	
Depreciation expense	<u>(1,465,986)</u>	1,076,669

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. 11,395

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

Property tax	(369)	
Other	<u>48,820</u>	48,451

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.

Issued	(166,805)	
Repaid	<u>173,860</u>	7,055

The current year County share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 474,054

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	(2,279)	
OPEB expense	(60,317)	
Pension expense	<u>(502,639)</u>	(565,235)

The Internal Service Funds are used by management to charge the costs of partial self-funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 83,452

Change in net position of governmental activities (page 17) \$ 2,148,332

See notes to financial statements.

O'Brien County
Statement of Net Position
Proprietary Funds

June 30, 2019

	<u>Internal Service</u>
Current Assets	
Cash and cash equivalents	\$ 726,316
Investments	1,753,105
Receivables:	
Accounts	99,229
Accrued interest receivable	<u>7,852</u>
Total current assets	2,586,502
Current Liabilities	
Accounts payable	<u>13,061</u>
Net Position	
Unrestricted	<u>\$ 2,573,441</u>

See notes to financial statements.

O'Brien County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2019

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,404,405
Reimbursements from others	<u>393</u>
Total operating revenues	<u>1,404,798</u>
Operating expenses:	
Health claims	1,161,508
Administrative fees	<u>203,575</u>
	<u>1,365,083</u>
Operating income	39,715
Non-operating revenues:	
Interest income	<u>43,737</u>
Net income	83,452
Net position beginning of year	<u>2,489,989</u>
Net position end of year	<u>\$ 2,573,441</u>

See notes to financial statements.

O'Brien County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2019

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,305,569
Cash paid to suppliers for services	<u>(1,390,075)</u>
Net cash used by operating activities	(84,506)
Cash flows from investing activities:	
Interest on investments	40,241
Cash paid for investments in certificates of deposit	<u>(503,105)</u>
Net cash used by investing activities	<u>(462,864)</u>
Decrease in cash and cash equivalents	(547,370)
Cash and cash equivalents beginning of year	<u>1,273,686</u>
Cash and cash equivalents end of year	<u>\$ 726,316</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 39,715
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in receivables	(99,229)
Decrease in payables	<u>(24,992)</u>
Net cash used by operating activities	<u>\$ (84,506)</u>

See notes to financial statements.

O'Brien County

O'Brien County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 3,231,401
Other County officials	46,783
Receivables:	
Property tax:	
Delinquent	26,693
Succeeding year	19,573,000
Accounts	193,343
Special assessments	272,285
Due from other governments	72,845
Prepaid insurance	8,937
	<u>23,425,287</u>

Total assets

Liabilities

Accounts payable	199,573
Due to other governments	23,157,391
Trusts payable	32,316
Compensated absences	36,007
	<u>23,425,287</u>

Total liabilities

Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

O'Brien 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, O'Brien County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present O'Brien County (the primary government) and eleven drainage districts (the component units). These component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

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

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

The County also participates in the following jointly governed organizations: Northwest Iowa Multi-County Regional Juvenile Detention Center, Northwest Iowa Area Solid Waste Agency, Synergy Center and Iowa Great Lakes Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Planning and Development Commission, Compass Pointe, Family Crisis Center, Private Industries Council, Seasons Mental Health Center, Third Judicial District Department of Correctional Services, Upper Des Moines Opportunity, Inc., Iowa County Engineers Association Service Bureau, Regional Transit Authority/RIDES, Inc., O'Brien County Health Care Coalition and O'Brien County Economic Development Corporation.

B. Basis of Presentation

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the 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 and non-negotiable certificates of deposit which are stated at amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable 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 receivable has been recorded, the related revenue reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 2003 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 the capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and 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 O'Brien 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 a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the non-program function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2019 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 (IPAIT) which are valued at an amortized cost of \$5,077,143. There were no limitations or restrictions on withdrawals for the IPAIT investments. The investment in the IPAIT is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 158,432
	Special Revenue: Rural Services	<u>2,113,868</u>
Total		<u>\$ 2,272,300</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, 2019 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,019,401	-	-	1,019,401
Construction in progress, road network	<u>2,356,111</u>	<u>1,537,952</u>	<u>3,567,092</u>	<u>326,971</u>
Total capital assets not being depreciated	<u>3,375,512</u>	<u>1,537,952</u>	<u>3,567,092</u>	<u>1,346,372</u>
Capital assets being depreciated:				
Buildings	4,913,764	369,054	-	5,282,818
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	9,687,924	663,462	81,232	10,270,154
Infrastructure, road network	<u>25,882,261</u>	<u>3,567,092</u>	-	<u>29,449,353</u>
Total capital assets being depreciated	<u>40,514,646</u>	<u>4,599,608</u>	<u>81,232</u>	<u>45,033,022</u>
Less accumulated depreciation for:				
Buildings	1,809,501	99,228	-	1,908,729
Improvements other than buildings	14,713	592	-	15,305
Equipment and vehicles	5,072,452	474,402	64,814	5,482,040
Infrastructure, road network	<u>8,629,001</u>	<u>891,764</u>	-	<u>9,520,765</u>
Total accumulated depreciation	<u>15,525,667</u>	<u>1,465,986</u>	<u>64,814</u>	<u>16,926,839</u>
Total capital assets being depreciated, net	<u>24,988,979</u>	<u>3,133,622</u>	<u>16,418</u>	<u>28,106,183</u>
Governmental activities capital assets, net	<u>\$ 28,364,491</u>	<u>4,671,574</u>	<u>3,583,510</u>	<u>29,452,555</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 116,286
Physical health and social services	253
County environment and education	44,666
Roads and transportation	1,260,140
Governmental services to residents	7,534
Administration	<u>37,107</u>
Total depreciation expense – governmental activities	<u>\$ 1,465,986</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 15,848
Agency:		
County Assessor	Collections	\$ 545,717
Schools		11,297,865
Community Colleges		1,008,130
Corporations		6,633,623
Townships		285,013
Auto License, Use Tax and Driver's License		368,435
911 Surcharges		455,862
All other		2,562,746
Total for agency funds		\$ 23,157,391

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Drainage District Warrants	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 173,860	287,612	3,222,831	472,840	4,157,143
Increases	166,805	317,973	-	-	484,778
Decreases	173,860	315,694	225,075	2,771	717,400
Balance end of year	\$ 166,805	289,891	2,997,756	470,069	3,924,521
Due within one year	\$ -	268,768	-	-	268,768

(7) Industrial Development Revenue Bonds

The County has issued a total of \$8,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. At June 30, 2019, the outstanding principal balance was \$6,385,165. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(8) Pension Plan

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

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

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

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

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

The formula used to calculate a sheriff's, deputy's 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 years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The

actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$474,054.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$2,997,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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 proportion was 0.047371%, which was a decrease of 0.001011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$502,639. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,983	97,270
Changes of assumptions	591,727	131,612
Net difference between projected and actual earnings on IPERS' investments	-	126,833
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	114,286	49,756
County contributions subsequent to the measurement date	474,054	-
Total	\$ 1,210,050	405,471

\$474,054 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, 2020. 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
2020	\$ 266,312
2021	132,969
2022	(53,737)
2023	(10,621)
2024	(4,398)
Total	<u>\$ 330,525</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 as follows:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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 that is 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	\$ 5,992,217	2,997,756	486,693

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 employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(9) 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 O’Brien 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, 2019, the following employees were covered by the benefit terms:

Active employees 116

Total OPEB Liability – The County’s total OPEB liability of \$470,069 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 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, 2019)	2.60% per annum.
Rates of salary increase	3.25% per annum, including
(effective June 30, 2019)	inflation.
Discount rate	3.51% compounded annually,
(effective June 30, 2019)	including inflation.
Healthcare cost trend rate	8.50% initial rate decreasing by .5%
(effective June 30, 2019)	annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% 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 RPP-2014 total dataset mortality table fully generational using Scale MP-2014 adjusted to 2016 to RPH-2017 total dataset 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, 2019 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	<u>\$ 472,840</u>
Changes for the year:	
Service cost	44,525
Interest	20,022
Differences between expected and actual experiences	(79,249)
Changes in assumptions	<u>11,931</u>
Net changes	<u>(2,771)</u>
Total OPEB liability end of year	<u>\$ 470,069</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

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 (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 504,937	470,069	437,736

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 (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 415,323	470,069	535,302

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$60,317. At June 30, 2019, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,112	70,444
Changes in assumptions	<u>22,737</u>	-
Total	<u>\$ 26,849</u>	<u>70,444</u>

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

Year ending June 30,	Amount
2020	\$ (4,230)
2021	(4,230)
2022	(4,230)
2023	(4,230)
2024	(4,231)
Thereafter	<u>(22,444)</u>
	<u>\$ (43,595)</u>

(10) Risk Management

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

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross Blue Shield from the Employee Health Insurance Fund. The County’s contribution to the fund for the year ended June 30, 2019 was \$1,404,405.

Amounts payable from the Employee Health Insurance Fund at June 30, 2019 total \$12,443, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,558,538 at June 30, 2019 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 37,803
Inurred claims (including claims incurred but not reported at June 30, 2019)	1,161,508
Payment on claims during the fiscal year	<u>1,186,868</u>
Unpaid claims end of year	<u>\$ 12,443</u>

(12) Contingent Liability

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. The County’s financial assurance obligation is \$306,000.

(13) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Paullina	Urban renewal and economic development projects	\$ 3,836
City of Sheldon	Urban renewal and economic development projects	9,042
City of Sanborn	Urban renewal and economic development projects	4,218

(14) O'Brien County Financial Information Included in Northwest Iowa Care Connections

Northwest Iowa Care Connections, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Clay County, Dickinson County, Lyon County, O'Brien County, Osceola County and Palo Alto County. The financial activity of O'Brien County's Special Revenue, Mental Health Fund is included in Northwest Iowa Care Connections for the year ended June 30, 2019, as follows:

Revenues:	
Property and other county tax	\$ 131,699
Intergovernmental revenues:	
State tax credits	<u>11,564</u>
Total revenues	<u>143,263</u>
Expenditures:	
Services to persons with:	
Mental illness	57,252
General administration:	
Distribution to regional fiscal agent	<u>81,530</u>
Total expenditures	138,782
Excess of expenditures over revenues	4,481
Fund balance beginning of the year	<u>322,929</u>
Fund balance end of the year	<u>\$ 327,410</u>

(15) Subsequent Events

In October 2019, the County entered into a contract with Christenson Brothers Construction for \$423,860 for construction of a bridge construction project. Costs will be paid as work from local County funds on the project progress.

In January 2020, the County entered into three contracts with Graves Construction Company, Inc. for \$1,428,791 for construction of bridge construction projects. Costs will be paid from County funds as the projects progress.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Required Supplementary Information

O'Brien 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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,485,730	-	6,485,730
Interest and penalty on property tax	36,951	-	36,951
Intergovernmental	5,462,919	-	5,462,919
Licenses and permits	121,507	-	121,507
Charges for service	594,559	-	594,559
Use of money and property	424,300	675	423,625
Miscellaneous	587,313	262,967	324,346
Total receipts	<u>13,713,279</u>	<u>263,642</u>	<u>13,449,637</u>
Disbursements:			
Public safety and legal services	3,388,305	-	3,388,305
Physical health and social services	438,254	-	438,254
Mental health	140,153	-	140,153
County environment and education	973,904	8,129	965,775
Roads and transportation	4,809,437	-	4,809,437
Governmental services to residents	606,503	-	606,503
Administration	1,222,247	-	1,222,247
Non-program	50,087	-	50,087
Debt service	189,649	189,649	-
Capital projects	729,549	-	729,549
Total disbursements	<u>12,548,088</u>	<u>197,778</u>	<u>12,350,310</u>
Excess (deficiency) of receipts over (under) disbursements	12,548,088 1,165,191	65,864	1,099,327
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,165,191	65,864	1,099,327
Balance beginning of year	<u>9,936,886</u>	<u>52,805</u>	<u>9,884,081</u>
Balance end of year	<u>\$ 11,102,077</u>	<u>118,669</u>	<u>10,983,408</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,336,805	6,396,595	89,135
33,300	33,603	3,348
5,475,375	5,284,789	178,130
120,000	106,500	15,007
563,785	555,455	39,104
207,345	275,077	148,548
190,490	319,566	4,780
<u>12,927,100</u>	<u>12,971,585</u>	<u>478,052</u>
3,590,479	3,647,738	259,433
488,548	491,698	53,444
197,870	198,870	58,717
1,122,289	1,289,855	324,080
4,900,000	5,706,079	896,642
627,585	668,020	61,517
1,444,031	1,410,053	187,806
13,500	49,648	(439)
-	-	-
<u>2,369,000</u>	<u>1,259,000</u>	<u>529,451</u>
<u>14,753,302</u>	<u>14,720,961</u>	<u>2,370,651</u>
(1,826,202)	(1,749,376)	2,848,703
<u>10,000</u>	<u>6,500</u>	<u>-</u>
(1,816,202)	(1,742,876)	2,848,703
<u>8,018,839</u>	<u>9,836,002</u>	<u>48,079</u>
<u>6,202,637</u>	<u>8,093,126</u>	<u>2,890,282</u>

O'Brien County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,713,279	164,185	13,877,464
Expenditures	12,548,088	483,690	13,031,778
Net	1,165,191	(319,505)	845,686
Other financing sources, net	-	-	166,805
Beginning fund balances	9,936,886	1,033,393	10,970,279
Ending fund balances	\$ 11,102,077	713,888	11,982,770

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$32,341. 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, 2019, disbursements exceeded the amount budgeted in the non-program function.

O'Brien County

O'Brien County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.047371%	0.048382%	0.049687%	0.045775%	0.042809%
County's proportionate share of the net pension liability	\$ 2,998	3,223	3,127	2,262	1,698
County's covered payroll	\$ 4,874	4,589	4,546	4,374	4,237
County's proportionate share of the net pension liability as a percentage of its covered payroll	61.51%	70.23%	68.79%	51.71%	40.08%
IPERS' net position as a percentage of the total pension liability	83.62%	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.

O'Brien County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 474	444	420	418
Contributions in relation to the statutorily required contribution	<u>(474)</u>	<u>(444)</u>	<u>(420)</u>	<u>(418)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,939	4,874	4,589	4,546
Contributions as a percentage of covered payroll	9.60%	9.11%	9.15%	9.19%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
404	391	368	339	294	280
(404)	(391)	(368)	(339)	(294)	(280)
-	-	-	-	-	-
4,374	4,237	4,065	3,947	3,711	3,769
9.24%	9.23%	9.05%	8.59%	7.92%	7.43%

O'Brien County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.

O'Brien County

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

For the Last Two Years
Required Supplementary Information

	<u>2019</u>	<u>2018</u>
Service cost	\$ 44,525	28,297
Interest cost	20,022	15,557
Difference between expected and actual experiences	(79,249)	5,756
Changes in assumptions	<u>11,931</u>	<u>16,986</u>
Net change in total OPEB liability	<u>(2,771)</u>	<u>66,596</u>
Total OPEB liability beginning of year	<u>472,840</u>	<u>406,244</u>
Total OPEB liability end of year	<u>\$ 470,069</u>	<u>472,840</u>
Covered-employee payroll	\$ 4,742,285	4,593,012
Total OPEB liability as a percentage of covered-employee payroll	9.9%	10.3%

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, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	4.00%

O'Brien County

Supplementary Information

O'Brien County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

				Special
	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimbursement	
Assets				
Cash, cash equivalents and pooled investments	\$ 61,068	34,225	4,477	
Receivables:				
Drainage assessments	-	-	-	
Total assets	\$ 61,068	34,225	4,477	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 18,251	-	-	
Deferred inflows of resources:				
Unavailable revenues:				
Other	-	-	-	
Fund balances:				
Restricted for:				
Drainage purposes	-	-	-	
Other purpose	42,817	34,225	4,477	
Total fund balances	42,817	34,225	4,477	
Total liabilities, deferred inflows of resources and fund balances	\$ 61,068	34,225	4,477	

See accompanying independent auditor's report.

Revenue				
County Attorney Forfeiture	Housing Rehab	Special Environment	Drainage Districts	Total
2,255	18,774	5,308	118,669	244,776
-	-	-	166,805	166,805
2,255	18,774	5,308	285,474	411,581
-	-	-	-	18,251
-	-	-	166,805	166,805
-	-	-	118,669	118,669
2,255	18,774	5,308	-	107,856
2,255	18,774	5,308	118,669	226,525
2,255	18,774	5,308	285,474	411,581

O'Brien County

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

Year ended June 30, 2019

	Resource Enhancement and Protection	County Recorder's Records Management	Special Federal Drug Reimbursement
Revenues:			
Intergovernmental	\$ 8,961	-	-
Charges for service	-	2,863	-
Use of money and property	553	313	-
Miscellaneous	-	-	260
Total revenues	9,514	3,176	260
Expenditures:			
Operating:			
County environment and education	18,251	-	-
Debt service	-	-	-
Total expenditures	18,251	-	-
Excess (deficiency) of revenues over (under) expenditures	(8,737)	3,176	260
Other financing sources:			
Drainage warrants issued	-	-	-
Changes in fund balances	(8,737)	3,176	260
Fund balances beginning of year	51,554	31,049	4,217
Fund balances end of year	\$ 42,817	34,225	4,477

See accompanying independent auditor's report.

Revenue

County Attorney Forfeiture	Housing Rehab	Special Environment	Drainage Districts	Total
-	-	-	-	8,961
-	-	-	-	2,863
-	90	24	675	1,655
520	3,114	-	262,967	266,861
520	3,204	24	263,642	280,340
-	5,051	-	174,934	198,236
-	-	-	189,649	189,649
-	5,051	-	364,583	387,885
520	(1,847)	24	(100,941)	(107,545)
-	-	-	166,805	166,805
520	(1,847)	24	65,864	59,260
1,735	20,621	5,284	52,805	167,265
2,255	18,774	5,308	118,669	226,525

Schedule 3

O'Brien County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2019

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Current Assets			
Cash and cash equivalents	\$ 710,795	15,521	726,316
Investments	1,753,105	-	1,753,105
Receivables:			
Accounts	99,229	-	99,229
Accrued interest receivable	7,852	-	7,852
Total current assets	2,570,981	15,521	2,586,502
Current Liabilities			
Accounts payable	12,443	618	13,061
Net Position			
Unrestricted	\$ 2,558,538	14,903	2,573,441

See accompanying independent auditor's report.

O'Brien County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2019

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,404,405	-	1,404,405
Reimbursements from others	393	-	393
Total operating revenues	1,404,798	-	1,404,798
Operating expenses:			
Health claims	1,161,508	-	1,161,508
Administrative services	202,707	868	203,575
Total operating expenses	1,364,215	868	1,365,083
Operating income (loss)	40,583	(868)	39,715
Non-operating revenues:			
Interest income	43,737	-	43,737
Net income (loss)	84,320	(868)	83,452
Net position beginning of year	2,474,218	15,771	2,489,989
Net position end of year	\$ 2,558,538	14,903	2,573,441

See accompanying independent auditor's report.

O'Brien County

O'Brien County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2019

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,305,569	-	1,305,569
Cash paid to suppliers for services	(1,389,575)	(500)	(1,390,075)
Net cash used by operating activities	(84,006)	(500)	(84,506)
Cash flows from investing activities:			
Interest on investments	40,241	-	40,241
Cash paid for investments in certificates of deposit	(503,105)	-	(503,105)
Net cash used by investing activities	(462,864)	-	(462,864)
Decrease in cash and cash equivalents	(546,870)	(500)	(547,370)
Cash and cash equivalents beginning of year	1,257,665	16,021	1,273,686
Cash and cash equivalents end of year	\$ 710,795	15,521	726,316
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ 40,583	(868)	39,715
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Increase in receivables	(99,229)	-	(99,229)
Increase (decrease) in payables	(25,360)	368	(24,992)
Net cash used by operating activities	\$ (84,006)	(500)	(84,506)

See accompanying independent auditor's report.

O'Brien County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,591	270,735	112,079	7,736
Other County officials	46,783	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	128	137	5,786	394
Succeeding year	-	243,000	284,000	11,180,000	1,000,000
Accounts	1,440	-	188	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Total assets	\$ 48,223	245,719	555,060	11,297,865	1,008,130
Liabilities					
Accounts payable	\$ -	-	-	-	-
Due to other governments	15,907	245,719	545,717	11,297,865	1,008,130
Trusts payable	32,316	-	-	-	-
Compensated absences	-	-	9,343	-	-
Total liabilities	\$ 48,223	245,719	555,060	11,297,865	1,008,130

See accompanying independent auditor's report.

Corporations	Townships	Auto License, Use Tax and Driver's License	911 Surcharges	Regional Mental Health	Other	Total
32,407	2,982	368,435	373,689	1,884,472	176,275	3,231,401
-	-	-	-	-	-	46,783
20,216	31	-	-	-	1	26,693
6,581,000	282,000	-	-	-	3,000	19,573,000
-	-	-	8,543	7,456	175,716	193,343
-	-	-	-	-	272,285	272,285
-	-	-	66,023	6,822	-	72,845
-	-	-	8,937	-	-	8,937
6,633,623	285,013	368,435	457,192	1,898,750	627,277	23,425,287
-	-	-	1,330	98,686	99,557	199,573
6,633,623	285,013	368,435	455,862	1,800,064	501,056	23,157,391
-	-	-	-	-	-	32,316
-	-	-	-	-	26,664	36,007
6,633,623	285,013	368,435	457,192	1,898,750	627,277	23,425,287

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 59,818	238,003	484,468	10,396,800	708,897
Additions:					
Property and other county tax	-	244,421	285,595	11,281,095	1,005,294
911 surcharge	-	-	-	-	-
State tax credits	-	20,935	22,267	928,800	62,310
Office fees and collections	1,126,678	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Special assessments	-	-	-	-	-
Trusts	733,714	-	-	-	-
Miscellaneous	-	-	583	-	-
Total additions	1,860,392	265,356	308,445	12,209,895	1,067,604
Deductions:					
Agency remittances:					
To other funds	1,142,479	-	-	-	-
To other governments	2,489	257,640	237,853	11,308,830	768,371
Trusts paid out	727,019	-	-	-	-
Total deductions	1,871,987	257,640	237,853	11,308,830	768,371
Balances end of year	\$ 48,223	245,719	555,060	11,297,865	1,008,130

See accompanying independent auditor's report.

Corporations	Townships	Auto License, Use Tax and Driver's License	911 Surcharges	Regional Mental Health	Other	Total
6,158,841	252,460	387,414	524,028	3,041,640	750,638	23,003,007
6,430,862	279,776	-	-	-	2,584	19,529,627
-	-	-	223,182	-	-	223,182
881,237	15,450	-	-	-	227	1,931,226
-	-	-	-	-	-	1,126,678
-	-	5,174,605	-	-	-	5,174,605
-	-	-	-	-	28,817	28,817
-	-	-	-	-	-	733,714
-	-	-	16,977	456,037	619,242	1,092,839
7,312,099	295,226	5,174,605	240,159	456,037	650,870	29,840,688
-	-	176,748	-	-	12	1,319,239
6,837,317	262,673	5,016,836	306,995	1,598,927	774,219	27,372,150
-	-	-	-	-	-	727,019
6,837,317	262,673	5,193,584	306,995	1,598,927	774,231	29,418,408
6,633,623	285,013	368,435	457,192	1,898,750	627,277	23,425,287

O'Brien County

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

For the Last Ten Years

				Modified
	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 5,855,926	6,678,801	7,070,274	7,070,445
Local option sales tax	629,051	593,784	674,321	571,246
Tax increment financing	-	-	-	21,775
Interest and penalty on property tax	36,951	42,262	41,381	40,146
Intergovernmental	5,652,202	5,647,010	6,181,575	5,308,263
Licenses and permits	121,992	121,359	160,281	272,402
Charges for service	598,909	627,722	544,145	560,990
Use of money and property	427,533	293,350	221,935	217,321
Miscellaneous	554,900	222,578	447,082	173,763
Total	<u>\$ 13,877,464</u>	<u>14,226,866</u>	<u>15,340,994</u>	<u>14,236,351</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,385,615	3,171,369	3,034,429	2,959,086
Physical health and social services	435,469	489,779	426,730	415,653
Mental health	139,997	409,869	607,257	750,298
County environment and education	1,163,616	1,052,900	1,214,268	908,779
Roads and transportation	5,012,030	4,417,507	4,254,380	5,130,878
Governmental services to residents	606,356	579,165	534,193	547,206
Administration	1,192,553	1,383,603	1,517,055	1,340,722
Non-program	47,034	98,740	832,092	30,160
Debt service	189,649	272,458	284,710	277,585
Capital projects	859,459	1,961,307	1,416,266	686,432
Total	<u>\$ 13,031,778</u>	<u>13,836,697</u>	<u>14,121,380</u>	<u>13,046,799</u>

See accompanying independent auditor's report.

Accrual Basis					
2015	2014	2013	2012	2011	2010
5,647,504	5,643,094	5,507,469	5,370,568	5,217,546	5,061,082
496,833	464,700	501,867	502,532	549,039	418,232
263,343	586,956	597,052	454,053	277,107	92,439
47,003	37,618	64,261	36,263	38,333	40,933
5,018,196	5,650,951	4,726,524	5,439,839	5,638,539	5,086,425
104,028	309,211	112,510	115,771	73,441	7,925
517,915	557,920	504,716	471,117	463,818	480,827
194,059	179,802	177,478	170,412	167,814	170,910
225,334	228,701	193,632	116,155	114,013	167,836
<u>12,514,215</u>	<u>13,658,953</u>	<u>12,385,509</u>	<u>12,676,710</u>	<u>12,539,650</u>	<u>11,526,609</u>
2,946,246	3,053,886	2,855,852	2,744,927	2,629,857	2,578,282
432,384	425,074	385,576	416,749	498,026	498,693
917,950	951,114	907,760	1,928,652	1,689,437	1,538,454
858,867	908,450	904,547	890,612	770,200	712,447
4,351,451	3,996,617	3,713,831	3,533,717	3,608,080	3,282,107
522,927	640,455	524,493	516,709	478,552	478,305
1,174,974	1,282,709	1,058,352	978,377	935,515	860,505
6,958	6,676	6,456	5,944	7,099	5,190
862,618	736,770	2,502,239	732,305	374,947	377,459
342,107	1,360,912	1,189,761	288,466	882,336	232,698
<u>12,416,482</u>	<u>13,362,663</u>	<u>14,048,867</u>	<u>12,036,458</u>	<u>11,874,049</u>	<u>10,564,140</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 O'Brien 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 O'Brien County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered O'Brien 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 O'Brien County's internal control. Accordingly, we do not express an opinion on the effectiveness of O'Brien 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 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.

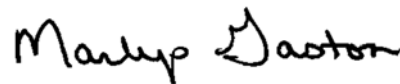
O'Brien County's Responses to the Findings

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

February 4, 2020

O'Brien County

Schedule of Findings

Year ended June 30, 2019

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.	Treasurer, Recorder, Sheriff, Public Health, Sanitation and Conservation
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash. In addition, for the Sheriff's office, responsibilities for receipts are not being performed during employee's absence.	Treasurer, Recorder, Sheriff, Public Health, Sanitation and Conservation
(3) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks.	Recorder
(4) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed periodically by an independent person for propriety.	Treasurer, Sheriff Civil and Commissary Account
(5) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder
(6) Accounts receivable – collecting, posting and reconciling.	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.

O'Brien County

Schedule of Findings

Year ended June 30, 2019

Effect – Inadequate segregation of duties could adversely affect each County offices' 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 – With a limited staff, it is hard to segregate duties, but we will try to comply with the recommendations that were made. The mail will be opened by the motor vehicle personnel. The monthly bank reconciliations are now reviewed, and a monthly bank report is signed by the O'Brien County Auditor.

County Recorder – With limited staff, it is hard to segregate duties, but we will try and comply to the best of our abilities. In regard to the bank reconciliation, the Recorder and Deputy both review and sign off on the bank reconciliation. A third party (County Treasurer) reviews the bank reconciliation and signs off.

County Sheriff – The Sheriff will periodically open the mail and record all checks payable to the O'Brien County Sheriff. The Lieutenant shall periodically review the check listing and verify that the checks were properly applied to the appropriate account. During the Administrative Assistant absence, any cash received is receipts by employees and a pre-numbered receipt is issued. The Sheriff will place the money in a secure area not assessable to employees. Segregation for collection, deposit, preparation and reconciliation will be done to the best of our abilities. Bank reconciliations are performed by the Chief Deputy who does not record cash receipts or prepare checks. Effective immediately the bank reconciliation will be reviewed by the Lieutenant and he will sign the reconciliation report.

County Public Health/Sanitation – I will do what is necessary with the staff that we have.

Conservation – Beginning December 2018, the Conservation Department has a third party to compare the incoming mail listing (prepared by the Assistant Director) to the campground receipt listing (prepared by the Administrative Assistant) and initial the campground receipt document. The Treasurer's office staff then counts the funds independently and the totals are compared. With the number of staff available, this system is the solution available to us.

Conclusion – Responses acknowledged. The Offices should also consider utilizing personnel from other offices or departments to provide additional internal control.

O'Brien County

Schedule of Findings

Year ended June 30, 2019

(B) Jail Commissary Account

Criteria – An effective internal control system provides for internal controls related to ensuring compliance with Board resolutions. The Board of Supervisor's resolution establishing a Jail Commissary account requires that "\$3,000 will be retained in the account to cover operating expenses along with the total inmate resident balance at the end of the month."

Condition – Excess amounts were disbursed from the Jail Commissary account resulting in an account balance less than the required amount.

Cause – Procedures have not been designed and implemented to ensure the necessary required amount is maintained in the Jail Commissary account. Additionally, procedures to accurately calculate the excess balance to be transferred monthly to the County Treasurer have not been established.

Effect – Maintaining a smaller than required account balance could result in insufficient funds to pay obligations of the Jail Commissary accounts.

Recommendation – Procedures should be established to ensure the required amount is maintained in the Jail Commissary account as set by Board Resolution. Additionally, procedures should be established to properly calculate the excess retainage to be disbursed to the County Treasurer monthly.

Response – The current method of calculating money retained in the checking account is to add the inmate balances to \$3,000 and send the balance to the Treasurer's office. Instead of using a \$3,000 amount, we are going to use \$3,500 to add to the inmate balances. This should ensure that the account balance never goes below \$3,000. In the past, delayed cashing of checks has contributed to the balance going below the \$3,000.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

O'Brien County
 Schedule of Findings
 Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the non-program function.

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

Response – This was an oversight. We will look at the functions more closely in the future to hopefully prevent this from occurring again.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Tom Fischer, Grader Operator, wife provides mowing services	Mowing	\$ 240
Russ Harms, District 1 Foreman, wife provides mowing services	Mowing	425
Tony Larsen, Grader Operator, daughter provides mowing services	Mowing	500
Barbara Rohwer, County Auditor, daughter provides administrative services	Administrative services	155
Susan Smith, County Recorder, husband owns Buck’s Lawn Service	Lawn services	725
Robert Knowlton, Grade Operator, owns Knowlton Backhoe	Tile repairs at County farms	1,386
Todd Egdorf, Secondary Roads Supervisor, owns L & T Lawn Service	Mowing	745

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions do not represent a conflict of interest since the total transactions with each were less than \$1,500 during the fiscal year.

O'Brien County

Schedule of Findings

Year ended June 30, 2019

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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, 2019 for the County Extension Office did not exceed the amount budgeted.

O'Brien County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp CPA, Manager
Jason J. Miller, Staff Auditor
Kile J. Bean, Staff Auditor
Anthony J.T. Mallie, CPA, Staff Auditor
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