



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

March 26, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$15,634,954 for the year ended June 30, 2019, a 14.3% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$13,621,245, a 3.3% decrease from the prior year. The significant increase in the revenues is due primarily to Farm to Market contributions from the Iowa Department of Transportation.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 81 of this report. The findings address issues such as lack of segregation of duties and material amounts of prepaid expenditures and capital asset additions not properly recorded in the County's financial statements. Sand provided the County with recommendations to address each of these findings.

Two of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials 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/audit-reports>.

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GRUNDY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

Grundy County



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Rob Sand
Auditor of State

March 16, 2020

Officials of Grundy County
Grundy Center, Iowa

Dear Board Members:

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

Officials

(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harlyn Riekema	Board of Supervisors	Jan 2019
Mark Schildroth	Board of Supervisors	Jan 2019
Charles Bakker	Board of Supervisors	Jan 2021
James Ross	Board of Supervisors	Jan 2021
Barbara L. Smith	Board of Supervisors	Jan 2021
Rhonda Deters	County Auditor	Jan 2021
Brenda Noteboom	County Treasurer	Jan 2019
Travis Case	County Recorder	Jan 2019
Rick D. Penning	County Sheriff	Jan 2021
Erika L. Allen	County Attorney	Jan 2019
John Freese	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Bakker	Board of Supervisors	Jan 2021
James Ross	Board of Supervisors	Jan 2021
Barbara L. Smith	Board of Supervisors	Jan 2021
Harlyn Riekema	Board of Supervisors	Jan 2023
Mark Schildroth	Board of Supervisors	Jan 2023
Rhonda Deters	County Auditor	Jan 2021
Brenda Noteboom	County Treasurer	Jan 2023
Travis Case	County Recorder	Jan 2023
Rick D. Penning	County Sheriff	Jan 2021
Erika L. Allen	County Attorney	Jan 2023
John Freese	County Assessor	Jan 2022

Grundy County



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Independent Auditor's Report

To the Officials of Grundy 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 Grundy 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 Grundy 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 54 through 63 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.

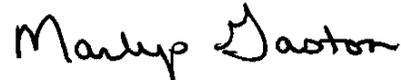
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2020 on our consideration of Grundy 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 Grundy County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased more than 14%, or approximately \$1,958,000, from fiscal year 2018 to fiscal year 2019. Property tax increased approximately \$120,000, operating grants, contributions and restricted interest increase approximately \$252,000, capital grants, contributions and restricted interest increased approximately \$1,428,000 and charges for services decreased approximately \$88,000.
- Program expenses decreased approximately \$466,000, or 3.3%, from fiscal year 2018 to fiscal year 2019. Public safety and legal services and mental health function expenses decreased approximately \$491,000 and \$294,000, respectively.
- The County's net position increased 7.1%, or approximately \$2,014,000, from 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 Grundy 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 Grundy 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 Grundy County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

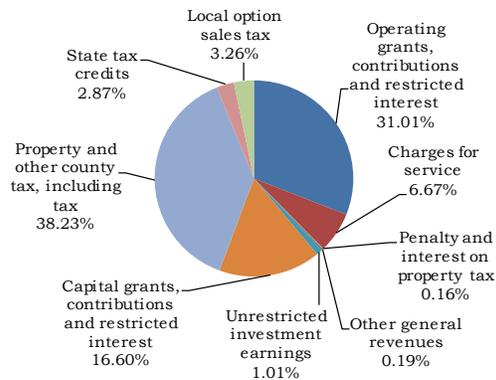
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 29,730	30,792
Capital assets	26,027	24,501
Total assets	55,757	55,293
Deferred outflows of resources	949	1,050
Long-term liabilities	19,185	21,015
Other liabilities	696	645
Total liabilities	19,881	21,660
Deferred inflows of resources	6,344	6,215
Net position:		
Net investment in capital assets	25,218	23,587
Restricted	4,806	4,892
Unrestricted	458	(11)
Total net position	\$ 30,482	28,468

Net position of Grundy County's governmental activities increased 7.1% (approximately \$30.5 million compared to approximately \$28.5 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 a deficit of approximately \$11,000 at June 30, 2018 to approximately \$458,000 at the end of this year. The Increase is due to a decrease in bonds payable and the net pension and total OPEB liabilities.

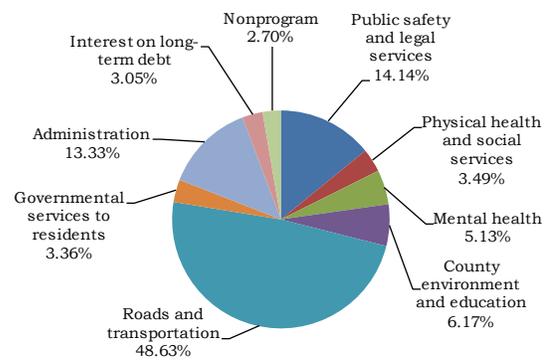
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 1,043	1,131
Operating grants, contributions and restricted interest	4,848	4,596
Capital grants, contributions and restricted interest	2,596	1,168
General revenues:		
Property and other county tax, including tax increment financing	5,978	5,858
Penalty and interest on property tax	25	25
State tax credits	448	398
Local option sales tax	510	405
Unrestricted investment earnings	158	73
Other general revenues	29	23
Total revenues	15,635	13,677
Program expenses:		
Public safety and legal services	1,926	2,417
Physical health and social services	475	482
Mental health	699	993
County environment and education	841	841
Roads and transportation	6,622	6,295
Governmental services to residents	458	446
Administration	1,816	1,829
Nonprogram	368	340
Interest on long-term debt	416	444
Total expenses	13,621	14,087
Change in net position	2,014	(410)
Net position beginning of year	28,468	28,878
Net position end of year	\$ 30,482	28,468

Revenues by Source



Expenses by Function



Grundy County's property tax rates have been consistent in prior years. For fiscal year 2019, the rural levy rate was \$2.9884 per \$1,000 of taxable valuation, a decrease of \$0.6269 per \$1,000 of taxable valuation from the fiscal year 2018 rural levy rate. The countywide levy was \$5.36132 per \$1,000 of taxable valuation in fiscal year 2019, an increase of \$0.2863 per \$1,000 of taxable valuation compared to fiscal year 2018. Taxable valuation by levy, the actual levy rate per \$1,000 of taxable valuation and total dollars levied are as follows:

	Taxes Levied FY 2019	Taxes Levied FY 2018
Countywide taxable valuation	\$ 839,711,536	811,894,447
Countywide levy rate without debt service	5.36132	5.07502
Dollars levied without debt service	4,506,552	4,120,381
County taxable debt service valuation	871,738,474	841,795,894
Total countywide rate	5.36132	5.07502
Total dollars levied countywide	4,506,552	4,120,381
Rural taxable valuation	581,003,715	553,001,426
Rural tax levy rate	2.98843	3.61533
Dollars levied rural area only	1,736,289	1,999,283
Total dollars levied	6,242,841	6,119,664

Local option sales tax revenue totaled \$509,716. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Special Revenue, Rural Services Fund.

INDIVIDUAL MAJOR FUND ANALYSIS

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$22,734,517 a decrease of \$1,002,884 below last year's total of \$23,767,401. The decrease in fund balance is primarily attributable to the decrease in the Debt Service Fund due to the payment of the Grundy County Memorial Hospital bonds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$337,882 over the prior year to \$2,924,957. Total revenues increased 7.1%, or \$340,737, to \$5,162,802. Property tax and use of money and property revenues increased \$233,828 and \$80,493, respectively. Total expenditures decreased 1.8%, or \$86,050, compared to fiscal year 2018. Public safety and legal services expenditures decreased due to the construction of a radio tower in the prior year. This decrease was partially offset by an increase in conservation trust fund expenditures due to the purchase of land.
- The Special Revenue, Mental Health Fund balance decreased \$4,546 from the prior year to \$104,311. Total revenues increased \$24,337, primarily due to an increase in property tax revenue of \$20,170. Expenditures totaled \$699,954, a decrease of \$283,401 from the prior year due to a decrease in the amount distributed to the regional fiscal agent.
- The Special Revenue, Rural Services Fund balance decreased \$184,177 from the prior year. Expenditures decreased 13.1%, or \$115,319, compared to fiscal year 2018 due to a decrease in the public safety and legal services expenditures for a completed radio tower project in the prior year. Revenues decreased \$158,484, primarily due to a decrease in property tax revenues. Of the \$611,902 fund balance, \$66,620 is restricted as a reserve for the landfill/transfer station.

- Special Revenue, Secondary Roads Fund expenditures increased 0.7%, or \$42,314. Revenues increased 1.7%, or \$75,456. The Secondary Roads Fund ending fund balance increased \$263,791 to \$3,349,378.
- The Special Revenue, Landfill Closure Costs Fund balance decreased \$23,651 from the prior year to \$683,817. Closure/postclosure care costs of \$43,717 were expended from this fund during fiscal year 2019.
- The Debt Service Fund balance decreased \$1,297,902 from the prior year to \$14,753,184. A portion of the Debt Service Fund was used to make a loan to the Grundy County Memorial Hospital to refund the 2010 notes and for a building expansion project. These notes were anticipated to be paid by Grundy County Memorial Hospital and, therefore, no debt service tax is expected to be levied. The fund balance is large because the County has recorded a \$14,620,000 receivable for the loan, but the related debt is not recorded as a fund liability under the modified accrual basis of accounting.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy County amended its budget once. The amendment was made in May 2019 and resulted in an increase in budgeted receipts of \$9,319. The budget for expenditures increased \$270,853 in total. The budgets for roads and transportation and administration increased \$325,000 and \$126,364, respectively, for increased expenditures for rock purchases for gravel roads and increased employee health insurance costs. The budget for capital projects decreased \$225,000 as weather conditions causes some delays in planned construction projects.

The County's actual receipts were \$461,996 less than budgeted, a variance of 3.2%. The most significant variance resulted from the County receiving less bridge replacement receipts than anticipated due to timing of the projects.

Total disbursements were \$2,423,327 less than the amended budget, a variance of 14.5%. Actual disbursements for the capital projects function were \$1,398,262 less than budgeted. Disbursements for the capital projects function were less than budgeted primarily due to project completion delays.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Grundy County had \$26,027,458 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of \$1,526,657, or 6.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2019	2018
Land	\$ 1,650,676	1,361,331
Construction in process, road network	3,392,979	4,120,557
Buildings	3,568,598	2,555,291
Improvements other than buildings	410,269	420,484
Equipment and vehicles	1,967,705	2,117,411
Intangibles	29,812	39,248
Infrastructure, road network	15,007,419	13,886,479
Total	<u>\$ 26,027,458</u>	<u>24,500,801</u>
This year's major additions include:		
Conservation property		\$ 198,945
Land		90,400
2018 John Deere dozer		163,850
2018 Dodge Durango		37,954
Road infrastructure		<u>2,310,443</u>
Total		<u>\$ 2,801,592</u>

The County had depreciation/amortization expense of \$1,846,973 in fiscal year 2019 and total accumulated depreciation/amortization of \$18,454,720 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, Grundy County had \$15,560,000 of general obligation urban renewal bonds outstanding, compared to \$16,965,000 of bonds outstanding at June 30, 2018.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$78 million. Additional information about the County's long-term debt and other long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy 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. Unemployment in the County as of June 2019 stands at 2.5%, which is up from 2.3% as of June 2018. This compares with the State's unemployment rate of 2.4%. Interest income is very stagnant after reaching an all-time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa currently has budgeted revenue shortfalls and relatively flat revenue projections continue. The uncertainty of revenue projections for the State of Iowa are keeping Grundy County's state funding in question for the fiscal year 2020 budget.

These indicators were taken into account when adopting the budget for fiscal year 2020. The fiscal year 2020 budget of \$16,197,864 decreased approximately 1.2% from the fiscal year 2019 original budget of \$16,399,241. Property tax will remain relatively stable, even though the tax rate is increasing slightly, due to an addition of a debt service levy. Budgeted disbursements are expected to decrease \$472,230 from the fiscal year 2019 final budgeted amounts due primarily to a decrease in secondary roads capital projects and mental health expenditures.

If these estimates are realized, the County's ending cash balance is expected to decrease \$1,614,273 by the close of fiscal year 2020 from the fiscal year 2019 ending cash balance.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Grundy 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 Grundy County Auditor's Office, 706 G Avenue, Grundy Center, Iowa 50638.

Grundy County

Basic Financial Statements

Grundy County
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 7,648,187
Receivables:	
Property tax:	
Delinquent	1,163
Succeeding year	5,956,000
Succeeding year tax increment financing	3,000
Interest and penalty on property tax	1,091
Loan to Grundy County Memorial Hospital	14,620,000
Accounts	39,567
Due from other governments	418,176
Inventories	765,225
Prepaid insurance	277,303
Capital assets, net of accumulated depreciation	26,027,458
Total assets	55,757,170
Deferred Outflows of Resources	
Pension related deferred outflows	949,424
Liabilities	
Accounts payable	561,196
Accrued interest payable	97,047
Salaries and benefits payable	30,788
Due to other governments	6,643
Long-term liabilities:	
Portion due or payable within one year:	
General obligation urban renewal bonds	1,435,000
Compensated absences	180,316
Portion due or payable after one year:	
General obligation urban renewal bonds	14,125,000
Estimated liability for landfill closure and postclosure care	587,600
Compensated absences	177,757
Net pension liability	2,529,618
Total OPEB liability	150,064
Total liabilities	19,881,029
Deferred Inflows of Resources	
Unavailable property tax revenue	5,956,000
Unavailable tax increment financing	3,000
Pension related deferred inflows	384,530
Total deferred inflows of resources	6,343,530
Net Position	
Net investment in capital assets	25,217,787
Restricted for:	
Supplemental levy purposes	511,569
Mental health purposes	92,776
Rural services purposes	596,626
Secondary roads purposes	3,211,835
Landfill closure and postclosure care	96,217
Conservation purposes	78,492
Other purposes	218,771
Unrestricted	457,962
Total net position	\$ 30,482,035

See notes to financial statements.

Grundy 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	\$ 1,925,967	66,371	347,388	-	(1,512,208)
Physical health and social services	475,278	101,418	17,837	-	(356,023)
Mental health	699,372	-	256,580	-	(442,792)
County environment and education	840,482	91,795	42,508	275	(705,904)
Roads and transportation	6,621,705	212,878	3,761,296	2,596,159	(51,372)
Governmental services to residents	457,846	280,049	338	-	(177,459)
Administration	1,816,370	18,527	18,280	-	(1,779,563)
Non-program	367,826	271,946	-	-	(95,880)
Interest on long-term debt	416,399	-	403,278	-	(13,121)
Total	\$ 13,621,245	1,042,984	4,847,505	2,596,434	(5,134,322)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,975,628
Tax increment financing					2,642
Penalty and interest on property tax					24,901
State tax credits					447,875
Local option sales tax					509,716
Unrestricted investment earnings					157,869
Gain on disposition of capital assets					29,400
Total general revenues					7,148,031
Change in net position					2,013,709
Net position beginning of year					28,468,326
Net position end of year					\$ 30,482,035

See notes to financial statements.

Grundy County
Balance Sheet
Governmental Funds
June 30, 2019

	General	Special	
		Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 2,776,864	58,097	443,201
Receivables:			
Property tax:			
Delinquent	696	75	371
Succeeding year	3,759,000	405,000	1,673,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	1,091	-	-
Loan	-	-	-
Accounts	27,609	-	356
Due from other governments	31,519	47,402	38,094
Inventories	-	-	-
Prepaid insurance	142,176	-	135,127
Total assets	\$ 6,738,955	510,574	2,290,149
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 43,041	1,188	4,097
Salaries and benefits payable	3,783	-	779
Due to other governments	6,387	-	-
Total liabilities	53,211	1,188	4,876
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,759,000	405,000	1,673,000
Succeeding year tax increment financing	-	-	-
Other	1,787	75	371
Total deferred inflows of resources	3,760,787	405,075	1,673,371
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	142,176	-	135,127
Restricted for:			
Supplemental levy purposes	393,214	-	-
Mental health purposes	-	104,311	-
Rural services purposes	-	-	410,155
Secondary roads purposes	-	-	-
Landfill closure and postclosure care	-	-	-
Landfill/transfer station	-	-	66,620
Conservation land acquisition/capital improvements	78,492	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	2,311,075	-	-
Total fund balances	2,924,957	104,311	611,902
Total liabilities, deferred inflows of resources and fund balances	\$ 6,738,955	510,574	2,290,149

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
2,814,932	680,557	133,184	306,038	7,212,873
-	-	21	-	1,163
-	-	119,000	-	5,956,000
-	-	-	3,000	3,000
-	-	-	40	1,131
-	-	14,620,000	-	14,620,000
5,889	4,783	-	662	39,299
301,161	-	-	228	418,404
765,225	-	-	-	765,225
-	-	-	-	277,303
3,887,207	685,340	14,872,205	309,968	29,294,398
511,892	978	-	-	561,196
25,881	345	-	-	30,788
56	200	-	-	6,643
537,829	1,523	-	-	598,627
-	-	119,000	-	5,956,000
-	-	-	3,000	3,000
-	-	21	-	2,254
-	-	119,021	3,000	5,961,254
765,225	-	-	-	765,225
-	-	-	-	277,303
-	-	-	-	393,214
-	-	-	-	104,311
-	-	-	-	410,155
2,584,153	-	-	-	2,584,153
-	683,817	-	-	683,817
-	-	-	-	66,620
-	-	-	-	78,492
-	-	14,753,184	-	14,753,184
-	-	-	123,729	123,729
-	-	-	183,239	183,239
-	-	-	-	2,311,075
3,349,378	683,817	14,753,184	306,968	22,734,517
3,887,207	685,340	14,872,205	309,968	29,294,398

Grundy County

Grundy County

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

June 30, 2019

Total governmental fund balances (page 19) \$ 22,734,517

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 \$44,482,178 and the accumulated depreciation/amortization is \$18,454,720. 26,027,458

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. 2,254

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 435,314

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

Deferred outflows of resources	\$ 949,424	
Deferred inflows of resources	<u>(384,530)</u>	564,894

Long-term liabilities, including general obligation urban renewal bonds payable, estimated liability for landfill closure and postclosure care, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (19,282,402)

Net position of governmental activities (page 16) \$ 30,482,035

See notes to financial statements.

Grundy County

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

Year ended June 30, 2019

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,769,335	406,136	1,681,044
Tax increment financing	-	-	-
Local option sales tax	-	-	509,716
Interest and penalty on property tax	24,557	-	-
Intergovernmental	768,281	289,272	101,151
Licenses and permits	9,278	-	14,500
Charges for service	396,952	-	19,764
Use of money and property	152,387	-	-
Miscellaneous	42,012	-	2,180
Total revenues	<u>5,162,802</u>	<u>695,408</u>	<u>2,328,355</u>
Expenditures:			
Operating:			
Public safety and legal services	1,701,280	-	289,559
Physical health and social services	475,916	-	-
Mental health	-	699,954	-
County environment and education	549,953	-	306,492
Roads and transportation	-	-	-
Governmental services to residents	425,672	-	2,650
Administration	1,573,154	-	163,831
Debt service	-	-	-
Capital projects	98,945	-	-
Total expenditures	<u>4,824,920</u>	<u>699,954</u>	<u>762,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>337,882</u>	<u>(4,546)</u>	<u>1,565,823</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(1,750,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,750,000)</u>
Change in fund balances	337,882	(4,546)	(184,177)
Fund balances beginning of year	<u>2,587,075</u>	<u>108,857</u>	<u>796,079</u>
Fund balances end of year	<u>\$ 2,924,957</u>	<u>104,311</u>	<u>611,902</u>

See notes to financial statements.

Revenue					
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total	
-	-	118,938	-	5,975,453	
-	-	-	2,642	2,642	
-	-	-	-	509,716	
-	-	-	-	24,557	
4,305,227	-	412,838	9,638	5,886,407	
33,800	-	-	-	57,578	
-	-	-	2,742	419,458	
11,964	20,066	-	329	184,746	
103,067	-	-	8,008	155,267	
4,454,058	20,066	531,776	23,359	13,215,824	
-	-	-	311	1,991,150	
-	-	-	-	475,916	
-	-	-	-	699,954	
-	43,717	-	6,980	907,142	
5,568,791	-	-	-	5,568,791	
-	-	-	1,226	429,548	
-	-	-	-	1,736,985	
-	-	1,829,678	-	1,829,678	
371,476	-	-	109,123	579,544	
5,940,267	43,717	1,829,678	117,640	14,218,708	
(1,486,209)	(23,651)	(1,297,902)	(94,281)	(1,002,884)	
1,750,000	-	-	-	1,750,000	
-	-	-	-	(1,750,000)	
1,750,000	-	-	-	-	
263,791	(23,651)	(1,297,902)	(94,281)	(1,002,884)	
3,085,587	707,468	16,051,086	401,249	23,737,401	
3,349,378	683,817	14,753,184	306,968	22,734,517	

Grundy 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) \$ (1,002,884)

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

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

Expenditures for capital assets	\$ 1,234,555	
Capital assets contributed by the Iowa Department of Transportation	2,116,275	
Depreciation expense	<u>(1,846,973)</u>	1,503,857

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. 22,800

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	175	
Other	<u>344</u>	519

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. 1,405,000

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. 407,680

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:

Adjustment to estimated costs for landfill closure and postclosure care	23,500	
Compensated absences	23,502	
OPEB expense	13,879	
Pension expense	(377,501)	
Interest on long-term debt	<u>8,279</u>	(308,341)

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (14,922)

Change in net position of governmental activities (page 17) \$ 2,013,709

See notes to financial statements.

Grundy County
Statement of Net Position
Proprietary Fund

June 30, 2019

	<u>Internal Service - Employee Group Health</u>
Current Assets	
Cash and cash equivalents	\$ 435,314
Current Liabilities	
None	<u>-</u>
Net Position	
Unrestricted	<u>\$ 435,314</u>

See notes to financial statements.

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

Year ended June 30, 2019

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,100,692
Reimbursements from employees		203,455
Reimbursements from others		<u>25,389</u>
Total operating revenues		1,329,536
Operating expenses:		
Partially self funded medical claims	\$ 136,903	
Medical claims	60,457	
Insurance premiums	1,108,192	
Affordable Care Act (ACA) fees	18,835	
Reinsurance fee	8,768	
Administrative fees	<u>12,293</u>	<u>1,345,448</u>
Operating loss		(15,912)
Non-operating revenues:		
Interest income		<u>990</u>
Net loss		(14,922)
Net position beginning of year		<u>450,236</u>
Net position end of year		<u>\$ 435,314</u>

See notes to financial statements.

Grundy County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2019

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,100,692
Cash received from employees and others	228,844
Cash paid to suppliers for services	<u>(1,345,448)</u>
Net cash used by operating activities	(15,912)
Cash flows from investing activities:	
Interest on investments	<u>990</u>
Net decrease in cash and cash equivalents	(14,922)
Cash and cash equivalents beginning of year	<u>450,236</u>
Cash and cash equivalents end of year	<u>\$ 435,314</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss and net cash used by operating activities	<u>\$ (15,912)</u>

See notes to financial statements.

Grundy County

Grundy County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,213,386
Other County officials	25,972
Receivables:	
Property tax:	
Delinquent	2,472
Succeeding year	15,644,000
Accounts	9,156
Due from other governments	30,411
Total assets	16,925,397

Liabilities

Accounts payable	37,836
Due to other governments	16,820,797
Trusts payable	41,080
Compensated absences	25,684
Total liabilities	16,925,397

Net position	\$ -
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See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

Ten 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 Grundy 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 Grundy County Auditor's Office.

The Grundy County Heritage Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. The primary function of the Foundation is to solicit and receive contributions, gifts, grants, devises and bequests of personal property and/or real property from individuals, corporations, partnerships, trusts, foundations, governmental bodies and agencies and any other parties and to distribute and apply such assets and/or the income therefrom from time to time to or for the benefit of the Grundy County Conservation Board and any affiliated organizations of the Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Grundy County Heritage Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Jointly Governed Organizations – The County also 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: Grundy County Assessor’s Conference Board, Grundy County Emergency Management Commission and Grundy County Joint 911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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.

The Landfill Closure Costs Fund is used to accumulate monies for closure and postclosure care for the County Landfill.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 65
Intangibles	3 - 10
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Grundy 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 represents the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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

Fund 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.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

(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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,750,000</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/amortized:				
Land	\$ 1,361,331	289,345	-	1,650,676
Construction in progress	4,120,557	2,671,899	(3,399,477)	3,392,979
Total capital assets not being depreciated/amortized	5,481,888	2,961,244	(3,399,477)	5,043,655
Capital assets being depreciated/amortized:				
Buildings	4,360,271	1,125,575	-	5,485,846
Improvements other than buildings	490,468	-	-	490,468
Equipment and vehicles	8,501,610	382,445	(177,959)	8,706,096
Intangibles	143,465	-	-	143,465
Infrastructure, road network	22,302,205	2,310,443	-	24,612,648
Total capital assets being depreciated/amortized	35,798,019	3,818,463	(177,959)	39,438,523
Less accumulated depreciation/amortization for:				
Buildings	1,804,980	112,268	-	1,917,248
Improvements other than buildings	69,984	10,215	-	80,199
Equipment and vehicles	6,384,199	525,551	(171,359)	6,738,391
Intangibles	104,217	9,436	-	113,653
Infrastructure, road network	8,415,726	1,189,503	-	9,605,229
Total accumulated depreciation/amortization:	16,779,106	1,846,973	(171,359)	18,454,720
Total capital assets being depreciated/amortized, net	19,018,913	1,971,490	(6,600)	20,983,803
Governmental activities capital assets, net	<u>\$ 24,500,801</u>	<u>4,932,734</u>	<u>(3,406,077)</u>	<u>26,027,458</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 67,992
County environment and education	78,644
Roads and transportation	1,609,786
Administration	90,551
Total depreciation/amortization expense - governmental activities	<u>\$ 1,846,973</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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 6,387
Special Revenue:		
Secondary Roads	Services	56
Landfill Closure Costs	Services	200
Total for governmental funds		<u>\$ 6,643</u>
Agency:		
Agriculture Extension Education	Collections	\$ 190,594
County Assessor		500,141
Schools		9,892,042
Community Colleges		826,569
Corporations		4,173,680
Townships		272,388
Auto License and Use Tax		465,280
All other		500,103
Total for agency funds		<u>\$ 16,820,797</u>

(6) Long-Term Liabilities

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

	<u>General</u>	<u>Estimated</u>		<u>Net</u>	<u>Total</u>	
	<u>Obligation</u>	<u>Liability</u>		<u>Pension</u>	<u>OPEB</u>	
	<u>Urban Renewal</u>	<u>for Landfill</u>	<u>Compensated</u>	<u>Liability</u>	<u>Liability</u>	<u>Total</u>
	<u>Bonds</u>	<u>Closure and</u>	<u>Absences</u>			
		<u>Care</u>				
Balance beginning of year	\$ 16,965,000	611,100	381,575	2,893,234	163,943	21,014,852
Increases	-	-	329,568	-	-	329,568
Decreases	1,405,000	23,500	353,070	363,616	13,879	2,159,065
Balance end of year	<u>\$ 15,560,000</u>	<u>587,600</u>	<u>358,073</u>	<u>2,529,618</u>	<u>150,064</u>	<u>19,185,355</u>
Due within one year	<u>\$ 1,435,000</u>	<u>-</u>	<u>180,316</u>	<u>-</u>	<u>-</u>	<u>1,615,316</u>

General Obligation Urban Renewal Bonds

On September 21, 2015, the County issued \$14,640,000 of general obligation urban renewal refunding capital loan bonds to advance refund the Grundy County Memorial Hospital's outstanding principal balance of \$12,970,000 of general obligation urban renewal capital loan notes issued in 2010. The transactions and balances of the escrow account are not recorded by the County since the refunded debt is considered extinguished. The bonds bear interest, payable semiannually on the first of June and December of each year, at rates ranging from 2.00% to 3.25% per annum. The outstanding balance of the refunded bonds at June 30, 2019 is \$10,895,000.

On May 4, 2016, the County issued \$4,810,000 of general obligation urban renewal bonds to pay costs of carrying out urban renewal projects, including loaning proceeds to the Grundy County Memorial Hospital. The bonds bear interest, payable semiannually on the first of June and December of each year, at rates ranging from 1.50% to 2.55% per annum.

The County loaned the general obligation urban renewal bond proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on both bond issues. The principal and interest payments from the Grundy County Memorial Hospital are credited to the Debt Service Fund.

On August 23, 2016, the County issued \$1,150,000 of general obligation urban renewal bonds, series 2016B, for the purpose of paying for the demolition of a current aged structure and constructing a new Grundy County Courthouse Annex which will house certain County offices. The bonds bear interest, payable semiannually on the first of June and December of each year, at 2% per annum.

A summary of the County's June 30, 2019 general obligation urban renewal refunding capital loan bonds and general obligation urban renewal capital loan bond indebtedness is as follows:

Year Ending June 30,	Refunding			Urban Renewal Hospital Annex		
	Issued September 21, 2015			Issued May 4, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	2.00%	\$ 950,000	291,913	1.50%	\$ 375,000	83,865
2021	2.00	970,000	272,913	2.00	385,000	76,365
2022	2.25	1,000,000	253,513	2.00	390,000	68,665
2023	2.37	1,030,000	231,013	2.25	400,000	60,865
2024	2.50	1,060,000	206,550	2.25	410,000	51,865
2025-2029	2.75-3.25	5,885,000	568,500	2.25-2.55	1,765,000	110,303
Total		<u>\$ 10,895,000</u>	<u>1,824,402</u>		<u>\$ 3,725,000</u>	<u>451,928</u>

Year Ending June 30,	Urban Renewal			Total		
	Issued August 23, 2016			Principal	Interest	Total
	Interest Rates	Principal	Interest			
2020	2.00%	\$ 110,000	18,800	\$ 1,435,000	394,578	1,829,578
2021	2.00	110,000	16,600	1,465,000	365,878	1,830,878
2022	2.00	110,000	14,400	1,500,000	336,578	1,836,578
2023	2.00	115,000	12,200	1,545,000	304,078	1,849,078
2024	2.00	120,000	9,900	1,590,000	268,315	1,858,315
2025-2029	2.00	375,000	15,200	8,025,000	694,003	8,719,003
Total		\$ 940,000	87,100	\$ 15,560,000	2,363,430	17,923,430

During the year ended June 30, 2019, \$1,405,000 of general obligation bonds were retired.

(7) Loan Receivable

As detailed in Note 6, the County loaned bond proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal bonds.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member 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 \$407,680.

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 \$2,529,618 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 0.039974%, which was a decrease of 0.00346% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$377,501. 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	\$ 28,339	87,372
Changes of assumptions	499,005	150,366
Net difference between projected and actual earnings on IPERS' investments	-	105,668
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	14,400	41,124
County contributions subsequent to the measurement date	407,680	-
Total	<u>\$ 949,424</u>	<u>384,530</u>

\$407,680 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	\$ 188,705
2021	82,966
2022	(67,493)
2023	(35,215)
2024	(11,749)
Total	<u>\$ 157,214</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 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 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	\$ 5,031,200	2,529,618	431,671

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 – At June 30, 2019, the County reported payables to IPERS of \$31,203 for legally required County contributions and \$22,667 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/ machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2019 were \$202,447.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the deductible of \$4,000/\$8,000 per single/family plan with a maximum out of pocket expense of \$8,000/\$16,000 per single/family plan. The deductible and maximum out of pocket expense for the County is reduced by the deductible amount paid by the employee of \$750/\$1,500 per single/family plan and employee maximum out of pocket expense of \$1,500/\$3,000 per single/family plan. Claims in excess of deductibles are covered by the partial self-funding plan.

Administrative service fees and plan contributions are paid monthly from the County's operating funds to a separate account administered by Employee Benefit Systems. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution for the year ended June 30, 2019 was \$1,100,692.

(11) Closure and Postclosure Care Costs

To comply with federal and state regulations, the County Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the County Landfill have been estimated at \$587,600 as of June 30, 2019 and the portion of the liability that has been recognized is \$587,600. This liability represents the cumulative amount reported to date based on the use of approximately 100% of the capacity of the landfill. By October 1, 2007, Iowa solid waste landfills must have met the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. The County implemented closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and opened a transfer station instead of constructing new cells. The Landfill plans to maintain its recycling program and will use existing resources to finance these activities. A provision for the above liability has been made in the County's Statement of Net Position as of June 30, 2019. The County has accumulated resources to fund these costs and, at June 30, 2019, \$683,817 is held for these purposes. These resources are reported in the Special Revenue, Landfill Closure Costs Fund.

(12) 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 Grundy 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:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>70</u>
Total	<u>73</u>

Total OPEB Liability – The County’s total OPEB liability of \$150,064 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions – The total June 30, 2019 OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement. The roll forward calculations assume all actuarial assumptions are exactly realized.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	5.00% for all years

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

Mortality rates are from the 2014 United States Life Tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 163,943</u>
Changes for the year:	
Service cost	4,500
Interest	6,046
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(24,425)</u>
Net changes	<u>(13,879)</u>
Total OPEB liability end of year	<u>\$ 150,064</u>

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

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 157,376	150,064	142,719

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

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability	\$ 139,928	150,064	161,557

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$13,879. The County utilized the alternative measurement method which results with all deferred outflows of resources and deferred inflows of resources related to OPEB being fully recognized in the current fiscal year.

(13) Developer Agreements

The County entered into two developer agreements to assist in urban renewal projects, as follows:

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Titan Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between January 1, 2009 and December 31, 2028 (up to forty semi-annual payments for twenty years) until \$225,000 is rebated or the agreement is terminated, whichever occurs first. As of June 30, 2018, \$225,000 had been rebated to the developer and the \$426 remaining balance was returned to the County Treasurer during fiscal year 2019.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the OXBO Urban Renewal District within 2 miles of the City of Grundy Center. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2010 and June 30, 2020 (annual payments for ten years) or until termination of the agreement, whichever occurs first. During the year ended June 30, 2019, \$6,211 was rebated to the developer, OXBO International Corporation/Byron Midwest Corporation.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between December 1, 2007 and December 1, 2022 (semi-annual payments for fifteen years) until \$105,000 or until termination of the agreement, whichever occurs first. During the year ended June 30, 2019, the \$338 remaining balance was rebated to the developer, Olderog Wholesales Tires, Inc.

(14) Tax Abatements

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

County Tax Abatements

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

For the year ended June 30, 2019, the County abated \$1,439 property tax under the urban renewal and economic development projects.

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:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Dike	Urban renewal and economic development projects	\$ 40,356
City of Grundy Center	Urban renewal and economic development projects	39,406

(15) Pending Litigation

The County is a defendant in several lawsuits seeking unspecified damages for which the probability and amount of loss, if any, is indeterminable.

(16) Grundy County Financial Information Included in County Social Services

County Social Services (CSS), a jointly governed organization formed pursuant to the provisions of Chapters 28E and 331.390 of the Code of Iowa, included the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago Winneshiek, Worth and Wright counties. The agreement was amended April 1, 2014 to also include Emmet County. The financial activity of Grundy County’s Special Revenue, Mental Health Fund is included in CSS for the year ended June 30, 2019 as follows:

Revenues:		
Property and other county tax		\$ 406,136
Intergovernmental:		
State tax credits	\$ 32,692	
Payments from mental health region - CSS	256,580	289,272
Total revenues		695,408
Expenditures:		
Service to persons with:		
Mental illness		188,317
General administration:		
Direct administration	65,669	
Distribution to regional fiscal agent	442,647	508,316
County provided case management		3,321
Total expenditures		699,954
Excess of expenditures over revenues		(4,546)
Fund balance beginning of year		108,857
Fund balance end of year		\$ 104,311

(17) 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

Grundy 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	\$ 6,521,106	-	6,521,106
Interest and penalty on property tax	24,557	-	24,557
Intergovernmental	7,473,851	-	7,473,851
Licenses and permits	55,065	-	55,065
Charges for service	422,608	-	422,608
Use of money and property	160,665	-	160,665
Miscellaneous	157,409	4,956	152,453
Total receipts	14,815,261	4,956	14,810,305
Disbursements:			
Public safety and legal services	1,987,852	-	1,987,852
Physical health and social services	476,479	-	476,479
Mental health	699,020	-	699,020
County environment and education	904,630	5	904,625
Roads and transportation	5,597,260	-	5,597,260
Governmental services to residents	428,285	-	428,285
Administration	1,730,994	-	1,730,994
Debt service	1,829,678	-	1,829,678
Capital projects	592,574	-	592,574
Total disbursements	14,246,772	5	14,246,767
Excess (deficiency) of receipts over (under) disbursements	568,489	4,951	563,538
Balance beginning of year	6,644,384	71,675	6,572,709
Balance end of year	\$ 7,212,873	76,626	7,136,247

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,457,967	6,457,967	63,139
3,000	3,000	21,557
7,322,997	7,325,378	148,473
7,650	7,650	47,415
354,350	354,350	68,258
58,021	58,021	102,644
135,004	141,942	10,511
14,338,989	14,348,308	461,997
2,259,119	2,282,442	294,590
533,086	535,467	58,988
696,706	706,182	7,162
1,110,500	1,119,809	215,184
5,365,824	5,690,824	93,564
472,077	472,077	43,792
1,915,415	2,041,779	310,785
1,830,678	1,830,678	1,000
2,215,836	1,990,836	1,398,262
16,399,241	16,670,094	2,423,327
(2,060,252)	(2,321,786)	2,885,324
5,374,544	5,374,544	1,198,165
3,314,292	3,052,758	4,083,489

Grundy County

Grundy 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	\$ 14,815,261	(1,599,437)	13,215,824
Expenditures	14,246,772	(28,064)	14,218,708
Net	568,489	(1,571,373)	(1,002,884)
Beginning fund balances	6,644,384	17,093,017	23,737,401
Ending fund balances	\$ 7,212,873	15,521,644	22,734,517

See accompanying independent auditor's report.

Grundy 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 Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$270,853. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

Grundy 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	0.039974%	0.043434%	0.043761%	0.041320%	0.039736%
County's proportionate share of the net pension liability	\$ 2,530	2,893	2,754	2,041	1,576
County's covered payroll	\$ 4,005	3,917	3,824	3,731	3,670
County's proportionate share of the net pension liability as a percentage of its covered payroll	63.17%	73.86%	72.02%	54.70%	42.94%
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.

Grundy 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	\$ 408	364	357	351
Contributions in relation to the statutorily required contribution	<u>(408)</u>	<u>(364)</u>	<u>(357)</u>	<u>(351)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,269	4,005	3,917	3,824
Contributions as a percentage of covered payroll	9.56%	9.09%	9.11%	9.18%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
343	337	318	290	249	236
(343)	(337)	(318)	(290)	(249)	(236)
-	-	-	-	-	-
3,731	3,670	3,532	3,400	3,311	3,377
9.19%	9.18%	9.00%	8.53%	7.52%	6.99%

Grundy 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.

Grundy County

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

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 4,500	1,927
Interest cost	6,046	3,434
Difference between expected and actual experiences	-	78,187
Changes in assumptions	-	13,443
Benefit payments	(24,425)	(14,858)
Net change in total OPEB liability	(13,879)	82,133
Total OPEB liability beginning of year	163,943	81,810
Total OPEB liability end of year	\$ 150,064	163,943
Covered-employee payroll	\$ 3,777,715	3,667,685
Total OPEB liability as a percentage of covered-employee payroll	4.0%	4.5%

See accompanying independent auditor's report.

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	3.87%
Year ended June 30, 2018	4.87%
Year ended June 30, 2017	4.50%

Grundy County

Supplementary Information

Grundy County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2019

						Special
	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts
Assets						
Cash, cash equivalents and pooled investments	\$ 15,870	60,996	5,242	2,223	265	21,255
Receivables:						
Succeeding year tax increment financing	-	-	-	-	-	-
Interest and penalty on property tax	40	-	-	-	-	-
Accounts	662	-	-	-	-	-
Due from other governments	-	228	-	-	-	-
Total assets	\$ 16,572	61,224	5,242	2,223	265	21,255
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities	-	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year tax increment financing	-	-	-	-	-	-
Fund balances:						
Restricted for:						
Capital projects	-	-	-	-	-	-
Other purposes	16,572	61,224	5,242	2,223	265	21,255
Total Fund balances	16,572	61,224	5,242	2,223	265	21,255
Total liabilities, deferred inflows of resources and fund balances	\$ 16,572	61,224	5,242	2,223	265	21,255

See accompanying independent auditor's report.

Revenue							
Olderog TIF	Titan TIF	OXBO TIF	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Capital Projects Annex	Total
-	-	-	11,087	10,000	55,371	123,729	306,038
-	-	3,000	-	-	-	-	3,000
-	-	-	-	-	-	-	40
-	-	-	-	-	-	-	662
-	-	-	-	-	-	-	228
-	-	3,000	11,087	10,000	55,371	123,729	309,968
-	-	-	-	-	-	-	-
-	-	3,000	-	-	-	-	3,000
-	-	-	-	-	-	123,729	123,729
-	-	-	11,087	10,000	55,371	-	183,239
-	-	-	11,087	10,000	55,371	123,729	306,968
-	-	3,000	11,087	10,000	55,371	123,729	309,968

Grundy County

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

Year ended June 30, 2019

	Special					
	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts
Revenues:						
Tax increment financing	\$ -	-	-	-	-	-
Intergovernmental	-	8,578	-	-	-	-
Charges for service	2,742	-	-	-	-	-
Use of money and property	40	228	-	-	-	-
Miscellaneous	-	-	3,113	-	-	-
Total revenues	<u>2,782</u>	<u>8,806</u>	<u>3,113</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:						
Operating:						
Public safety and legal services	-	-	311	-	-	-
County environment and education	-	-	-	-	-	-
Governmental services to residents	1,226	-	-	-	-	-
Capital projects	-	101,000	-	-	-	-
Total expenditures	<u>1,226</u>	<u>101,000</u>	<u>311</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	1,556	(92,194)	2,802	-	-	-
Fund balances beginning of year	<u>15,016</u>	<u>153,418</u>	<u>2,440</u>	<u>2,223</u>	<u>265</u>	<u>21,255</u>
Fund balances end of year	<u>\$ 16,572</u>	<u>61,224</u>	<u>5,242</u>	<u>2,223</u>	<u>265</u>	<u>21,255</u>

See accompanying independent auditor's report.

Revenue								
Olderog	Titan	OXBO	Convenience	Household	Grundy	Capital		
TIF	TIF	TIF	Center	Hazardous	County	Projects		Total
			Closure	Materials	Heritage	Annex		
					Foundation			
-	-	2,642	-	-	-	-	-	2,642
-	-	1,060	-	-	-	-	-	9,638
-	-	-	-	-	-	-	-	2,742
-	-	-	-	-	61	-	-	329
-	-	-	-	-	4,895	-	-	8,008
-	-	3,702	-	-	4,956	-	-	23,359
-	-	-	-	-	-	-	-	311
338	426	6,211	-	-	5	-	-	6,980
-	-	-	-	-	-	-	-	1,226
-	-	-	-	-	-	8,123	-	109,123
338	426	6,211	-	-	5	8,123	-	117,640
(338)	(426)	(2,509)	-	-	4,951	(8,123)	-	(94,281)
338	426	2,509	11,087	10,000	50,420	131,852	-	401,249
-	-	-	11,087	10,000	55,371	123,729	-	306,968

Grundy County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	559	224,770	29,234
Other County officials	25,972	-	-	-
Receivables:				
Property tax:				
Delinquent	-	35	55	1,808
Succeeding year	-	190,000	301,000	9,861,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 25,972	190,594	525,825	9,892,042
Liabilities				
Accounts payable	\$ -	-	-	-
Due to other governments	20,166	190,594	500,141	9,892,042
Trusts payable	5,806	-	-	-
Compensated absences	-	-	25,684	-
Total liabilities	\$ 25,972	190,594	525,825	9,892,042

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
2,419	22,318	383	465,280	22,177	446,246	1,213,386
-	-	-	-	-	-	25,972
150	362	5	-	-	57	2,472
824,000	4,151,000	272,000	-	-	45,000	15,644,000
-	-	-	-	-	9,156	9,156
-	-	-	-	-	30,411	30,411
826,569	4,173,680	272,388	465,280	22,177	530,870	16,925,397
-	-	-	-	-	37,836	37,836
826,569	4,173,680	272,388	465,280	22,177	457,760	16,820,797
-	-	-	-	-	35,274	41,080
-	-	-	-	-	-	25,684
826,569	4,173,680	272,388	465,280	22,177	530,870	16,925,397

Grundy 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
Balances beginning of year	\$ 25,868	190,634	500,175	9,919,197
Additions:				
Property and other county tax	-	187,524	297,227	9,722,423
911 surcharges	-	-	-	-
State tax credits	-	15,095	23,943	786,397
Office fees and collections	346,690	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	178,321	-	-	-
Miscellaneous	-	-	-	-
Total additions	525,011	202,619	321,170	10,508,820
Deductions:				
Agency remittances:				
To other funds	135,755	-	-	-
To other governments	210,935	-	-	-
Trusts paid out	178,217	202,659	295,520	10,535,975
Total deductions	524,907	202,659	295,520	10,535,975
Balances end of year	\$ 25,972	190,594	525,825	9,892,042

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
828,950	4,119,505	278,861	479,164	22,177	467,397	16,831,928
812,611	4,088,862	268,159	-	-	45,389	15,422,195
-	-	-	-	-	173,463	173,463
65,522	480,649	15,341	-	-	2,920	1,389,867
-	-	-	-	-	-	346,690
-	-	-	5,615,898	-	-	5,615,898
-	-	-	-	-	-	178,321
-	-	-	-	-	22,712	22,712
878,133	4,569,511	283,500	5,615,898	-	244,484	23,149,146
-	-	-	156,226	-	-	291,981
-	-	-	5,473,556	-	16,849	5,701,340
880,514	4,515,336	289,973	-	-	164,162	17,062,356
880,514	4,515,336	289,973	5,629,782	-	181,011	23,055,677
826,569	4,173,680	272,388	465,280	22,177	530,870	16,925,397

Grundy County

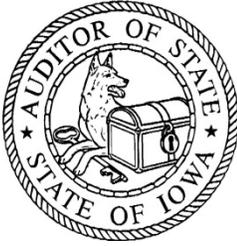
Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	Modified 2016
Revenues:				
Property and other county tax	\$ 5,975,453	5,854,229	5,631,307	5,631,363
Tax increment financing	2,642	3,933	40,423	80,967
Local option sales tax	509,716	405,204	453,760	405,536
Interest and penalty on property tax	24,557	25,458	27,621	30,446
Intergovernmental	5,886,407	5,766,060	6,381,635	7,639,200
Licenses and permits	57,578	22,975	16,610	16,530
Charges for service	419,458	450,731	380,849	385,822
Use of money and property	184,746	103,262	66,580	58,088
Miscellaneous	155,267	204,785	238,942	218,050
Total	\$ 13,215,824	12,836,637	13,237,727	14,466,002
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,991,150	2,289,744	1,809,518	1,834,947
Physical health and social services	475,916	478,542	497,265	470,455
Mental health	699,954	983,355	689,512	700,423
County environment and education	907,142	891,263	892,057	922,247
Roads and transportation	5,568,791	5,005,516	4,900,439	5,584,893
Governmental services to residents	429,548	433,893	391,833	391,059
Administration	1,736,985	1,681,185	1,619,851	1,666,974
Debt service	1,829,678	1,825,378	1,711,314	1,368,265
Capital projects	579,544	1,078,727	2,325,245	748,440
Total	\$ 14,218,708	14,667,603	14,837,034	13,687,703

See accompanying independent auditor's report.

Accrual Basis					
2015	2014	2013	2012	2011	2010
5,603,025	5,246,990	5,065,429	4,901,054	4,722,103	4,701,407
90,002	101,551	103,054	105,347	98,819	43,313
450,511	380,911	385,885	468,137	398,479	423,331
34,638	36,201	36,486	33,978	34,100	33,687
5,013,091	5,204,910	4,851,117	5,579,690	5,219,156	5,111,675
19,083	51,685	12,290	15,340	10,655	13,095
367,757	385,708	386,215	355,300	343,261	355,019
46,924	43,910	50,886	71,975	97,289	120,179
128,039	137,173	257,232	273,170	371,245	735,346
11,753,070	11,589,039	11,148,594	11,803,991	11,295,107	11,537,052
1,800,880	1,802,508	1,823,311	1,659,250	1,588,665	1,548,778
478,182	585,048	565,114	541,127	504,726	412,399
773,570	737,047	805,253	1,030,743	1,037,365	1,039,977
901,746	937,140	784,747	844,536	816,407	802,089
4,354,335	4,510,897	4,230,656	4,174,887	4,012,543	4,259,408
385,248	367,614	359,579	360,231	339,285	345,716
1,631,931	1,538,772	1,485,721	1,676,696	1,425,191	1,227,867
1,256,668	1,451,397	1,285,455	1,274,230	1,300,618	719,826
122,182	225,912	326,314	1,407,034	551,140	797,378
11,704,742	12,156,335	11,666,150	12,968,734	11,575,940	11,153,438



**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 Grundy 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 Grundy 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 March 16, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

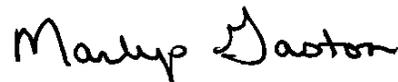
Grundy County's Responses to the Findings

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

March 16, 2020

Grundy County
 Schedule of Findings
 Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder and County Sheriff
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	Treasurer, County Recorder and County Sheriff
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Treasurer and County Sheriff
(4) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Treasurer and County Sheriff

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

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

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

Grundy County

Schedule of Findings

Year ended June 30, 2019

Responses –

County Recorder – As an office of two full time employees and one part time employee, it is impossible for us to completely segregate all financial duties. We do, however do our best to separate the duties as much as possible. For example, generally the mail is opened by one employee and received by another employee. Checks are prepared by one person and signed by another. We will start having the Treasurer verify our monthly bank reconciliation. We will also continue to review our procedures to assure we are obtaining the maximum internal control possible with our limited staff resources.

County Sheriff – As stated, we are a small office and one theory is that the least amount of employees with access to financial accounts means less exposure. Our Radio Communication Operators are also Jailers and have plenty of duties to keep them busy without additional financial record keeping requirements, plus there is only one of them on duty per shift. We normally have 3 employees involved in the segregation of duties (out of 12 full time sworn officers, 4 full time and 4 part time Communication Operator/Jailers) and this should be satisfactory.

Treasurer – We have procedures in place for reconciliation. The person who reconciles has no access to the accounts. The Treasurer reviews all statements as well. Due to a limited number of employees, all cross trained to collect funds, it is difficult to segregate all financial duties. We will continue to review our procedures to ensure we are obtaining the maximum internal control possible with our limited staff resources.

Conclusion –

County Recorder and Treasurer – Response accepted.

County Sheriff – Response acknowledged. The County Sheriff should continue to review procedures, including utilizing personnel from other County Offices, to ensure the maximum internal control possible.

(B) Financial Reporting

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

Condition – Material amounts of prepaid expenditures and capital assets were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Grundy County

Schedule of Findings

Year ended June 30, 2019

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

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

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

Response – The County Engineer, County Treasurer and County Auditor will review amounts to ensure proper recording and inclusion in the County financial statements.

Conclusion – Response accepted.

(C) Timesheets

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

Condition – Department head timesheets are not always reviewed and approved by the Board of Supervisors.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel.

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

Recommendation – Timesheets should be signed by the employee and supervisor prior to submission.

Response – The timesheets of department heads will be reviewed and approved by the Board of Supervisors.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Grundy 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 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. 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.
- (10) Financial Assurance – The County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided by Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$587,600. The balance reserved for landfill closure and postclosure care at June 30, 2019 is \$683,817. Therefore, the closure and postclosure care costs are fully funded at June 30, 2019.
- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Grundy County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Alex N. Kawamura, CPA, Senior Auditor
Kelly L. Hilton, Senior Auditor
Matthew A. Miller, Staff Auditor
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Craig S. Miller, Assistant Auditor
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