



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

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 24, 2021

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$15,612,848 for the year ended June 30, 2020, a 16.5% increase over the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$11,372.753, a 1.4% increase over the prior year.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 81 of this report. The findings address a lack of segregation of duties and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

The two 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>.

###

**ADAIR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2020**

**Adair County**



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March 16, 2021

Officials of Adair County  
Greenfield, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Adair County for the year ended June 30, 2020. 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 Adair 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

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	29
Notes to Financial Statements		30-52
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		54
Budget to GAAP Reconciliation		55
Notes to Required Supplementary Information – Budgetary Reporting		57
Schedule of the County’s Proportionate Share of the Net Pension Liability		58-59
Schedule of County Contributions		60-61
Notes to Required Supplementary Information – Pension Liability		62
Schedule of changes in the County’s Total OPEB Liability, Related Ratios and Notes		63
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	66-67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	68-69
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	70-71
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	72-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	74-75
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		76-77
Schedule of Findings		78-81
Staff		82

**Adair County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Homan	Board of Supervisors	Jan 2021
John Twombly	Board of Supervisors	Jan 2021
Matt Wedemeyer	Board of Supervisors	Jan 2021
Jodie Hoadley	Board of Supervisors	Jan 2023
Steven Shelley	Board of Supervisors	Jan 2023
Melinda Schaefer	County Auditor	Resigned Apr 2019
Mandy Berg	County Auditor	(Appointed Apr 2019) Nov 2020
Brenda Wallace	County Treasurer	Jan 2023
Janelle Schneider	County Recorder	Jan 2023
Jeff Vandewater	County Sheriff	Jan 2021
Clint Hight	County Attorney	Resigned Jun 2019
Melissa Larson	County Attorney	(Appointed Jul 2019) Nov 2020
Pam Jensen	County Assessor	Jan 2022

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Independent Auditor's Report

To the Officials of Adair 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 Adair County, Iowa, as of and for the year ended June 30, 2020, 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 Adair County as of June 30, 2020, 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 who 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.

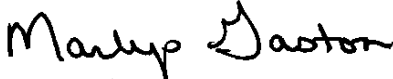
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair 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, 2019 (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, 2021 on our consideration of Adair 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 Adair County's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

March 16, 2021

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Adair 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, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2020 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 16.5%, or approximately \$2,213,000, from fiscal year 2019 to fiscal year 2020. Property tax increased approximately \$273,000, charges for service increased approximately \$226,000, operating grants, contributions and restricted interest increased approximately \$943,000, capital grants, contributions and restricted interest increased approximately \$307,000.
- Program expenses of the County's governmental activities were 1.4%, or approximately \$160,000 less in fiscal year 2020 than in fiscal year 2019. Roads and transportation expenses increased approximately \$540,000, public safety and legal services expenses decreased approximately \$482,000, administration expenses increased approximately \$111,000.
- The County's net position increased 12.8%, or approximately \$4,240,000, over the June 30, 2019 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 Adair 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 Adair 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 Adair 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, Secondary Roads and Urban Renewal 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 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. Adair County's combined net position increased from approximately \$33.2 million to approximately \$37.4 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2020	2019
Current and other assets	\$ 23,345	18,387
Capital assets	37,502	37,333
Total assets	60,846	55,720
Deferred outflows of resources	557	680
Long-term liabilities	22,149	14,833
Other liabilities	391	342
Total liabilities	22,541	15,175
Deferred inflows of resources	8,498	8,071
Net position:		
Net investment in capital assets	34,783	28,494
Restricted	7,547	6,285
Unrestricted	(4,936)	(1,625)
Total net position	\$ 37,394	33,154

Net position of Adair County's governmental activities increased 12.8% (approximately \$33.2 million compared to approximately \$37.4 million).

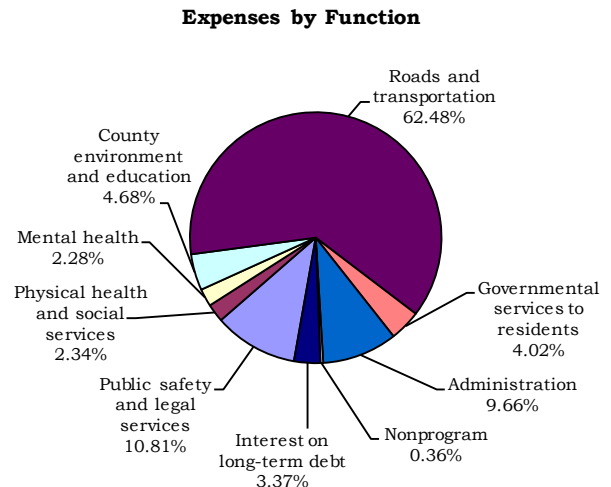
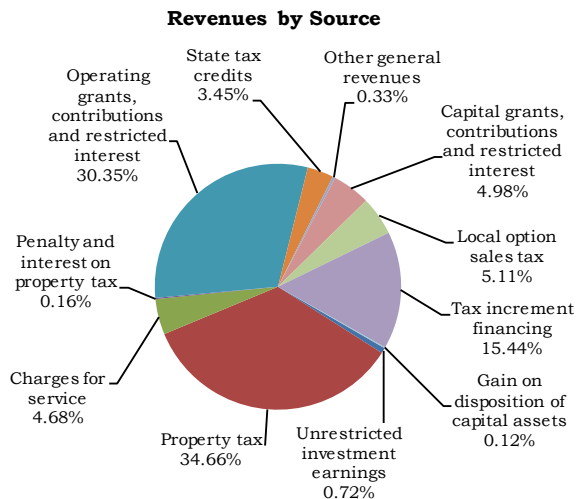
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$6.3 million or 22%, primarily due to the NW Wind Farm project.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased approximately \$1,262,000, or 20.1%, from June 30, 2019 to June 30, 2020, primarily due to increase debt and road projects related to the NW Wind Farm project.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from a deficit of approximately \$1,625,000 at June 30, 2019 to a deficit of approximately \$4,936,000 at the end of this year, a decrease of 203.8%. The deficit in the unrestricted net position is primarily due to the net pension liability and the total OPEB liability and non-capitalized assets financed with general obligation debt.

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

	Year ended June 30,	
	2020	2019
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 730	504
Operating grants, contributions and restricted interest	4,738	3,795
Capital grants, contributions and restricted interest	778	471
<b>General revenues:</b>		
Property tax	5,411	5,138
Tax increment financing	2,411	2,196
Penalty and interest on property tax	25	43
State tax credits	539	545
Local option sales tax	797	602
Unrestricted investment earnings	113	72
Gain on disposition of capital assets	19	1
Other general revenues	51	32
<b>Total revenues</b>	<b>15,612</b>	<b>13,399</b>
<b>Program expenses:</b>		
Public safety and legal services	\$ 1,229	1,711
Physical health and social services	266	272
Mental health	259	271
County environment and education	532	538
Roads and transportation	7,107	6,567
Governmental services to residents	457	439
Administration	1,098	987
Nonprogram	41	56
Interest on long-term debt	383	371
<b>Total expenses</b>	<b>11,372</b>	<b>11,212</b>
<b>Change in net position</b>	<b>4,240</b>	<b>2,187</b>
<b>Net position beginning of year</b>	<b>33,154</b>	<b>30,967</b>
<b>Net position end of year</b>	<b>\$ 37,394</b>	<b>33,154</b>



Adair County's governmental activities net position increased approximately \$4,240,000 during the year. Revenues for governmental activities increased approximately \$2,213,000 over the prior year, including property tax revenue which increased \$273,000, tax increment financing which increased approximately \$215,000 and local option sales tax which increased approximately \$195,000.

The cost of all governmental activities this year was approximately \$11.4 million compared to approximately \$11.2 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$5,127,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$730,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,516,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2020 from approximately \$4,770,000 to approximately \$6,246,000. Operating grants increased due to increases in TIME21 and RUT funding and capital grants increased due to increased disaster grant funding received.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$14.7 million, an increase of approximately \$4,600,000 over last year's total of approximately \$10 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$338,000, or 10.0%, over the prior year. This increase is primarily due to an increase in property tax revenue and a \$135,000 donation to purchase conservation land. Expenditures increased approximately \$122,000, or 3.5%, over the prior year. The ending fund balance increased approximately \$64,000, or 3.9%, over the prior year to approximately \$1,724,000.
- For fiscal year 2020, Special Revenue, Mental Health Fund expenditures totaled approximately \$259,000, a decrease of 4.6% from the prior year. The ending fund balance decreased from approximately \$1,200 to approximately \$1,100.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$74,000 from the prior year to approximately \$209,000. This decrease is due primarily to increased expenditures in the current year, primarily equipment purchased for the Secondary Roads Department.
- The Special Revenue, Secondary Roads Fund ending fund balance increased approximately \$84,000 or 4.0% over the prior year. Revenues increased approximately \$1,559,000, or 41.5%, over the prior year. Expenditures increased approximately \$1,657,000, or 34%, over the prior year. These increases are primarily due to bridge replacement funding from the Iowa Department of Transportation for a bridge replacement in Summerset and FEMA disaster aid used for erosion control.
- The Special Revenue, Urban Renewal Fund ending fund balance increased from approximately \$2,527,000 at the end of the prior year to approximately \$3,142,000 as increased tax increment financing revenue exceeded debt service payments for the year. The County's policy, consistent with what Chapter 403 of the Code of Iowa allows, is to certify TIF obligations and collect all available TIF revenues from those certifications as they are generated. The TIF revenues are generated faster than they are needed to repay TIF obligations.
- The Capital Projects Fund ending fund balance increased approximately \$3,536,000 over the prior year to approximately \$6,104,000. This increase is primarily due to the issuance of \$9,495,000 of general obligation bonds during the fiscal year used to continue work on multiple capital projects, including TIF roadway surfacing projects.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2020 and increased budgeted public safety, County environment and education, roads and transportation, and administration functions. This amendment also increased budgeted receipts due primarily to intergovernmental activities.

The second amendment was made in May 2020. This amendment increased budgeted receipts due primarily to an increase in County intergovernmental grants and charges for services. The amendment also increased budgeted disbursements primarily for expenses related to public safety, county environment and education, roads and transportation and administration and non - program functions.

The County's receipts were \$110,169 more than budgeted, primarily because road use tax and Time-21 revenues were more than anticipated.

Total disbursements were \$3,256,710 less than budgeted. Actual disbursements for the capital projects function were \$2,153,000 less than budgeted primarily due to delays of planned secondary roads projects.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2020. The County made an additional payment on the public safety building general obligation bonds without budgeting for this activity.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2020, Adair County had approximately \$45.5 million 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 approximately \$7,199,000, or 19.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2020	2019
Land	\$ 817	817
Intangibles, road network	34	34
Construction in progress	6,179	3,185
Buildings and improvements	3,647	3,760
Improvements other than buildings	1,125	220
Equipment and vehicles	4,231	2,933
Intangibles	340	376
Infrastructure, road network	28,159	26,008
Total	\$ 44,532	37,333

The increase in net capital assets is primarily due to increased construction in progress for the NW Wind Farm project.

The County had depreciation expense of approximately \$2,165,000 in fiscal year 2020 and total accumulated depreciation of approximately \$15,601,000 at June 30, 2020. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.



## Long-Term Debt

At June 30, 2020, Adair County had \$20,325,000 of outstanding debt general obligation bonds, compared to total outstanding debt of approximately \$12,750,000 at June 30, 2019, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2020	2019
General obligation bonds	\$ 20,325	12,750

Debt increased primarily due to the issuance of \$9,495,000 in general obligation bonds in fiscal year 2020 compared to \$300,000 in fiscal year 2019 offset by payments on general obligation bonds.

Adair County's general obligation debt carries the AA3 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$57.5 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$464,400 of local option sales tax in fiscal year 2021.

Amounts available for appropriation in the operating budget are approximately \$33.1 million, an increase of 5.2% from the final fiscal year 2020 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease to approximately \$7,069,050 by the close of fiscal year 2020.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adair 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 Adair County Auditor's Office, 400 Public Square, Suite 5, Greenfield, Iowa 50849.

## **Basic Financial Statements**

Adair County  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 13,481,901
Receivables:	
Property tax:	
Delinquent	38,999
Succeeding year	5,345,000
Succeeding year tax increment financing	2,697,000
Interest and penalty on property tax	32,668
Accounts	13,745
Accrued interest	4,785
Due from other governments	1,072,133
Inventories	310,214
Prepaid items	348,266
Capital assets not being depreciated	7,030,398
Capital assets, net of accumulated depreciation/amortization	37,501,709
<b>Total assets</b>	<b>67,876,818</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	554,156
OPEB related deferred outflows	2,459
<b>Total deferred outflows of resources</b>	<b>556,615</b>
<b>Liabilities</b>	
Accounts payable	258,320
Accrued interest payable	34,835
Salaries and benefits payable	87,890
Due to other governments	10,342
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,715,000
Compensated absences	146,758
Portion due or payable after one year:	
General obligation bonds	17,610,000
Compensated absences	53,623
Net pension liability	1,567,694
Total OPEB liability	56,363
<b>Total liabilities</b>	<b>22,540,825</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	5,345,000
Unavailable tax increment financing revenue	2,697,000
Pension related deferred inflows	433,940
OPEB related deferred inflows	22,351
<b>Total deferred inflows of resources</b>	<b>8,498,291</b>
<b>Net Position</b>	
Net investment in capital assets	34,783,053
Restricted for:	
Supplemental levy purposes	300,019
Mental health purposes	2,959
Rural services purposes	220,120
Secondary roads purposes	2,058,261
Conservation land acquisition purposes	550,200
Bridge maintenance and replacement	840,028
Debt service	3,507,864
Other purposes	67,690
Unrestricted	(4,935,877)
<b>Total net position</b>	<b>\$ 37,394,317</b>

See notes to financial statements.

Adair County  
Statement of Activities  
Year ended June 30, 2020

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,229,342	58,781	23,819	-	(1,146,742)
Physical health and social services	266,346	18,912	84,575	-	(162,859)
Mental health	258,796	-	-	-	(258,796)
County environment and education	532,370	45,491	186,898	9,292	(290,689)
Roads and transportation	7,106,750	361,663	4,436,307	485,776	(1,823,004)
Governmental services to residents	456,896	179,064	47	-	(277,785)
Administration	1,098,352	28,810	-	-	(1,069,542)
Nonprogram	40,634	37,198	6,120	-	2,684
Interest on long-term debt	383,267	-	-	282,917	(100,350)
Total	<u>\$ 11,372,753</u>	<u>729,919</u>	<u>4,737,766</u>	<u>777,985</u>	<u>(5,127,083)</u>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,729,519
Debt service					681,540
Tax increment financing					2,411,037
Penalty and interest on property tax					25,102
State tax credits					539,092
Local option sales tax					797,464
Unrestricted investment earnings					112,855
Gain on disposition of capital assets					19,450
Miscellaneous					51,119
Total general revenues					<u>9,367,178</u>
Change in net position					4,240,095
Net position beginning of year					<u>33,154,222</u>
Net position end of year					<u>\$ 37,394,317</u>

See notes to financial statements.

Adair County  
Balance Sheet  
Governmental Funds

June 30, 2020

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,424,346	1,122	218,369
Receivables:			
Property tax:			
Delinquent	21,609	1,837	11,248
Succeeding year	2,764,000	235,000	1,653,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	32,668	-	-
Accounts	9,582	-	-
Accrued interest	4,785	-	-
Due from other funds	-	-	-
Due from other governments	29,838	-	-
Advance to other funds	77,192	-	-
Inventories	-	-	-
Prepaid items	249,918	-	-
<b>Total assets</b>	<b>\$ 4,613,938</b>	<b>237,959</b>	<b>1,882,617</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 34,753	-	80
Salaries and benefits payable	24,733	-	9,417
Due to other funds	2,949	-	-
Due to other governments	8,987	-	-
Advance from other funds	-	-	-
Total liabilities	71,422	-	9,497
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,764,000	235,000	1,653,000
Succeeding year tax increment financing	-	-	-
Other	54,277	1,837	11,248
Total deferred inflows of resources	2,818,277	236,837	1,664,248
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	249,918	-	-
Advance to other funds	77,192	-	-
Restricted for:			
Supplemental levy purposes	285,365	-	-
Mental health purposes	-	1,122	-
Rural services purposes	-	-	208,872
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	412,700	-	-
Debt service	-	-	-
Capital projects	-	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	-	-
Unassigned	699,064	-	-
Total fund balances	1,724,239	1,122	208,872
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,613,938</b>	<b>237,959</b>	<b>1,882,617</b>

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
1,146,769	3,219,004	6,104,396	1,164,631	13,278,637
-	-	-	4,305	38,999
-	-	-	693,000	5,345,000
-	2,697,000	-	-	2,697,000
-	-	-	-	32,668
2,498	-	-	-	12,080
-	-	-	-	4,785
2,949	-	-	-	2,949
927,626	-	-	114,669	1,072,133
-	-	-	-	77,192
310,214	-	-	-	310,214
72,609	-	-	25,000	347,527
<u>2,462,665</u>	<u>5,916,004</u>	<u>6,104,396</u>	<u>2,001,605</u>	<u>23,219,184</u>
223,290	-	-	-	258,123
53,740	-	-	-	87,890
-	-	-	-	2,949
1,185	-	-	-	10,172
-	77,192	-	-	77,192
<u>278,215</u>	<u>77,192</u>	<u>-</u>	<u>-</u>	<u>436,326</u>
-	-	-	693,000	5,345,000
-	2,697,000	-	-	2,697,000
-	-	-	4,305	71,667
-	<u>2,697,000</u>	<u>-</u>	<u>697,305</u>	<u>8,113,667</u>
310,214	-	-	-	310,214
72,609	-	-	25,000	347,527
-	-	-	-	77,192
-	-	-	-	285,365
-	-	-	-	1,122
-	-	-	-	208,872
1,801,627	-	-	-	1,801,627
-	-	-	-	412,700
-	3,141,812	-	396,582	3,538,394
-	-	6,104,396	-	6,104,396
-	-	-	840,028	840,028
-	-	-	42,690	42,690
-	-	-	-	699,064
<u>2,184,450</u>	<u>3,141,812</u>	<u>6,104,396</u>	<u>1,304,300</u>	<u>14,669,191</u>
<u>2,462,665</u>	<u>5,916,004</u>	<u>6,104,396</u>	<u>2,001,605</u>	<u>23,219,184</u>

**Adair County**

Adair County  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Position

June 30, 2020

**Total governmental fund balances (page 19)** \$ 14,669,191

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$60,133,502 and the accumulated depreciation/amortization is \$15,60,395. 44,532,107

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. 71,667

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 205,301

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

Deferred outflows of resources	\$ 556,615	
Deferred inflows of resources	<u>(456,291)</u>	100,324

Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (22,184,273)

**Net position of governmental activities (page 16)** \$ 37,394,317

See notes to financial statements.



Adair County

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

Year ended June 30, 2020

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	2,773,426	237,630	1,697,712
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	18,860	-	-
Intergovernmental	399,619	21,073	124,669
Licenses and permits	6,203	-	12,516
Charges for service	239,209	-	113
Use of money and property	66,962	-	-
Miscellaneous	209,955	-	-
Total revenues	<u>3,714,234</u>	<u>258,703</u>	<u>1,835,010</u>
Expenditures:			
Operating:			
Public safety and legal services	1,565,380	-	207,178
Physical health and social services	252,500	-	13,240
Mental health	-	258,796	-
County environment and education	316,904	-	121,893
Roads and transportation	-	-	282,289
Governmental services to residents	446,686	-	4,519
Administration	1,000,195	-	-
Debt service	-	-	-
Capital projects	56,150	-	-
Total expenditures	<u>3,637,815</u>	<u>258,796</u>	<u>629,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,419</u>	<u>(93)</u>	<u>1,205,891</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(12,396)	-	(1,280,000)
General obligation bonds issued	-	-	-
Premium on general obligation bonds issued	-	-	-
Total other financing sources (uses)	<u>(12,396)</u>	<u>-</u>	<u>(1,280,000)</u>
Change in fund balances	64,023	(93)	(74,109)
Fund balances beginning of year	<u>1,660,216</u>	<u>1,215</u>	<u>282,981</u>
Fund balances end of year	<u>\$ 1,724,239</u>	<u>1,122</u>	<u>208,872</u>

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	678,760	5,387,528
-	2,411,037	-	-	2,411,037
-	-	-	797,464	797,464
-	-	-	-	18,860
5,117,050	91,543	-	65,098	5,819,052
1,728	-	-	-	20,447
-	-	-	1,481	240,803
-	9,808	47,020	3,310	127,100
196,637	-	-	1,311	407,903
5,315,415	2,512,388	47,020	1,547,424	15,230,194
-	-	-	9,869	1,782,427
-	-	-	-	265,740
-	-	-	-	258,796
-	77,192	-	-	515,989
5,934,994	-	-	734	6,218,017
-	-	-	-	451,205
-	-	-	-	1,000,195
-	1,820,296	-	471,370	2,291,666
575,962	-	6,301,337	634,740	7,568,189
6,510,956	1,897,488	6,301,337	1,116,713	20,352,224
(1,195,541)	614,900	(6,254,317)	430,711	(5,122,030)
1,280,000	-	12,396	-	1,292,396
-	-	-	-	(1,292,396)
-	-	9,495,000	-	9,495,000
-	-	282,917	-	282,917
1,280,000	-	9,790,313	-	9,777,917
84,459	614,900	3,535,996	430,711	4,655,887
2,099,991	2,526,912	2,568,400	873,589	10,013,304
2,184,450	3,141,812	6,104,396	1,304,300	14,669,191

Adair County

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

Year ended June 30, 2020

**Change in fund balances - Total governmental funds (page 23)** \$ 4,655,887

**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 exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 9,345,071	
Depreciation/amortization expense	<u>(2,165,159)</u>	7,179,912

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. 19,450

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	23,531	
Other	<u>6,242</u>	29,773

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

Issued	(9,495,000)	
Repaid	<u>1,920,000</u>	(7,575,000)

The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 285,213

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	4,219	
Pension expense	(378,427)	
OPEB expense	(5,726)	
Interest on long-term debt	<u>(11,601)</u>	(391,535)

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

		<u>36,395</u>
Change in net position of governmental activities (page 17)		<u>\$ 4,240,095</u>

See notes to financial statements.

Adair County  
Statement of Net Position  
Proprietary Fund

June 30, 2020

	Internal Service - Employee Health Insurance
<b>Assets</b>	
Cash and cash equivalents	\$ 203,264
Accounts receivable	1,665
Prepaid items	739
<b>Total current assets</b>	<u>205,668</u>
<b>Liabilities</b>	
Accounts payable	197
Due to other government	170
<b>Total liabilities</b>	<u>367</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 205,301</u>

See notes to financial statements.

## Adair County

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

Year ended June 30, 2020

		<u>Internal</u> <u>Service - Employee</u> <u>Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 147,164
Reimbursements from others		38,485
Insurance reimbursements		<u>5,974</u>
Total operating revenues		191,623
Operating expenses:		
Medical claims	\$ 93,347	
Insurance premiums	48,608	
Administrative fees	7,530	
Miscellaneous	<u>6,264</u>	<u>155,749</u>
Operating income		35,874
Non-operating revenues:		
Interest income		<u>521</u>
Net income		36,395
Net position beginning of year		<u>168,906</u>
Net position end of year		<u>\$ 205,301</u>

See notes to financial statements.

Adair County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2020

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 147,164
Cash received from others	36,820
Cash received from insurance reimbursements	5,974
Cash paid to suppliers for services	(153,179)
Net cash provided by operating activities	36,779
Cash flows from investing activities:	
Interest on investments	521
Net increase in cash and cash equivalents	37,300
Cash and cash equivalents beginning of year	165,964
Cash and cash equivalents end of year	\$ 203,264
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 35,874
Adjustment to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(1,665)
Prepaid items	2,203
Accounts payable	197
Due to other government	170
Net cash provided by operating activities	\$ 36,779

See notes to financial statements.

**Adair County**

Adair County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2020

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 543,929
Other County officials	22,684
Receivables:	
Property tax:	
Delinquent	94,360
Succeeding year	13,081,000
Special assessments	35,868
Due from other governments	112
Prepaid expenses	<u>5,400</u>
<b>Total assets</b>	<u><b>13,783,353</b></u>

**Liabilities**

Due to other governments	13,744,340
Trusts payable	24,362
Compensated absences	<u>14,651</u>
<b>Total liabilities</b>	<u><b>13,783,353</b></u>
<b>Net position</b>	<u><u>\$ -</u></u>

See notes to financial statements.



Adair County

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center and South Central Iowa Regional 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. 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 development 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, 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 Urban Renewal Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a nonspendable fund balance which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Intangibles	65,000
Land, buildings and improvements	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 and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Intangibles	5 - 25
Equipment	3 - 20
Vehicles	3 - 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/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. 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, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the debt service function and disbursements in two departments exceeded the amount appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$528,274 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in the IPAIT is unrated.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.



**(3) Interfund Assets/Liabilities**

The detail of amounts due from and due to other funds at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	<u>\$ 2,949</u>

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

The detail of advances to/from other funds at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	<u>\$ 77,192</u>

The General Fund advanced \$30,000 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with tax increment financing receipts as they are collected.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,280,000
Captial Projects	General	<u>12,396</u>
Total		<u>\$ 1,292,396</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 817,319	-	-	817,319
Intangibles, road network	34,220	-	-	34,220
Construction in progress	3,184,591	7,217,921	4,223,653	6,178,859
Total capital assets not being depreciated/amortized	4,036,130	7,217,921	4,223,653	7,030,398
Capital assets being depreciated/amortized:				
Buildings	4,789,110	-	-	4,789,110
Improvements other than buildings	386,630	946,566	-	1,333,196
Equipment and vehicles	7,034,817	1,911,971	62,114	8,884,674
Intangibles	499,888	-	-	499,888
Infrastructure, road network	34,084,520	3,511,716	-	37,596,236
Total capital assets being depreciated/amortized	46,794,965	6,370,253	62,114	53,103,104
Less accumulated depreciation/amortization for:				
Buildings	1,029,058	112,778	-	1,141,836
Improvements other than buildings	167,012	41,577	-	208,589
Equipment and vehicles	4,102,420	613,101	62,114	4,653,407
Intangibles	123,535	36,683	-	160,218
Infrastructure, road network	8,076,325	1,361,020	-	9,437,345
Total accumulated depreciation/amortization	13,498,350	2,165,159	62,114	15,601,395
Total capital assets being depreciated/amortized, net	33,296,615	4,205,094	-	37,501,709
Governmental activities capital assets, net	\$ 37,332,745	11,423,015	4,223,653	44,532,107

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 222,473
County environment and education	35,358
Roads and transportation	1,822,188
Administration	85,140
Total depreciation/amortization expense - governmental activities	<u>\$ 2,165,159</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2020 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 8,987
Special Revenue:		
Secondary Roads	Services	1,185
Internal Service:		
Employee Health Insurance		170
Total for governmental funds		<u>\$ 10,342</u>
Agency:		
County Assessor		\$ 417,207
Schools		7,144,104
Community Colleges		454,851
Corporations		3,135,697
Townships		399,412
County Hospital		1,675,828
Auto License and Use Tax		291,545
All other		225,696
Total for agency funds		<u>\$ 13,744,340</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	<u>General</u>	<u>Compensated</u>	<u>Net</u>	<u>Total</u>	
	<u>Obligation</u>	<u>Absences</u>	<u>Pension</u>	<u>OPEB</u>	
	<u>Bonds</u>		<u>Liability</u>	<u>Liability</u>	<u>Total</u>
Balance beginning of year	\$ 12,750,000	204,600	1,811,137	66,873	14,832,610
Increases	9,495,000	46,324	-	9,124	9,550,448
Decreases	1,920,000	50,543	243,443	19,634	2,233,620
Balance end of year	<u>\$ 20,325,000</u>	<u>200,381</u>	<u>1,567,694</u>	<u>56,363</u>	<u>22,149,438</u>
Due within one year	<u>\$ 2,715,000</u>	<u>146,758</u>	<u>-</u>	<u>-</u>	<u>2,861,758</u>

A summary of the County's June 30, 2020 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building Issued Sept 1, 2010			General Obligation, Series 2014 Secondary Roads and GIS portion Issued Apr 2, 2014		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	3.00%	\$ 150,000	16,050	1.70%	\$ 930,000	36,207
2022	3.00	155,000	11,550	1.85	955,000	20,398
2023	3.00	165,000	6,900	2.10	65,000	2,730
2024	3.00	65,000	1,950	2.10	65,000	1,365
2025		-	-		-	-
2026-2030		-	-		-	-
Total		\$ 535,000	36,450		\$ 2,015,000	60,700

Year Ending June 30,	Bridge, Road and Culvert Issued September 1, 2015			General Obligation, Series 2017 Secondary Roads and Elevator Issued July 12, 2017		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	2.50%	\$ 385,000	119,738	2.00%	\$ 460,000	82,288
2022	2.50	490,000	110,113	2.00	465,000	73,087
2023	2.75	655,000	97,862	2.00	470,000	63,788
2024	2.75	820,000	79,850	2.00	485,000	54,387
2025	3.00	940,000	57,300	2.00	500,000	45,688
2026-2030	3.00	970,000	29,100	2.25-2.50	1,490,000	69,637
Total		\$ 4,260,000	493,963		\$ 3,870,000	388,875

Year Ending June 30,	General Obligation, Series 2018 Purchases, Sheriff Equipment, Etc. Issued Jul 25, 2018			General Obligation, Series 2019 Secondary Roads and Sheriff Equipment Issued Aug 14, 2019		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2021	2.30%	\$ 75,000	3,450	2.00%	\$ 715,000	100,000
2022	2.30	75,000	1,725	2.00	710,000	85,700
2023		-	-	2.00	730,000	71,500
2024		-	-	2.00	755,000	56,900
2025		-	-	2.00	320,000	41,800
2026-2030		-	-	2.00	1,770,000	108,700
Total		\$ 150,000	5,175		\$ 5,000,000	464,600

Year Ending June 30,	General Obligation, Series 2020 Road and Bridge Infrastructure Issued June 17, 2020			Total		
	Interest			Principal	Interest	Total
	Rates	Principal	Interest			
2021	2.00%	\$ -	85,904	\$ 2,715,000	443,637	3158637
2022	2.00	200,000	89,900	3,050,000	392,473	3,442,473
2023	2.00	500,000	85,900	2,585,000	328,680	2,913,680
2024	2.00	400,000	75,900	2,590,000	270,352	2,860,352
2025	2.00	400,000	67,900	2,160,000	212,688	2,372,688
2026-2030	2.00	2,995,000	189,500	7,225,000	396,937	7,621,937
Total		\$ 4,495,000	595,004	\$ 20,325,000	2,044,767	22,369,767

On September 1, 2010, the County issued \$3,000,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for public safety building. The County retired \$145,000 of these general obligation bonds during the year. During the year ended June 20, 2020, the County paid principal of \$145,000 and interest of \$19,675 on the bonds.

On April 2, 2014, the County issued \$5,830,000 of general obligation bonds with interest rates ranging from 1.50% to 2.10% per annum. The bonds were issued for bridge, road and culvert repair, secondary road building, and GIS system. The County retired \$910,000 of these general obligation bonds during the year. During the year ended June 20, 2020, the County paid principal of \$910,000 and interest of \$49,858 on the bonds.

On September 1, 2015, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 1.50% to 3.00% per annum. The bonds were issued for bridge, road and culvert repairs. The County retired \$280,000 of these general obligation bonds during the year. During the year ended June 20, 2020, the County paid principal of \$280,000 and interest of \$126,038 on the bonds.

On July 12, 2017, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 2.00% to 2.50% per annum. The bonds were issued for courthouse elevator project, roads, bridges and culverts. The County retired \$510,000 of these general obligation bonds during the year. During the year ended June 20, 2020, the County paid principal of \$510,000 and interest of \$92,487 on the bonds.

On July 25, 2018, the County issued \$300,000 of general obligation bonds with an interest rate of 2.30% per annum. The bonds were issued for an elevator project and software. During the year ended June 20, 2020, the County paid principal of \$75,000 and interest of \$5,175 on the bonds.

On August 14, 2019, the County issued \$500,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for digitization of County Recorder records, County Sheriff radio equipment and bridge, culvert and road repair. During the year ended June 20, 2020, the County paid interest of \$75,833 and no principal on the bonds.

On June 17, 2020, the County issued \$9,495,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to aid in planning, undertaking and carrying out of urban renewal projects and bridge, culvert and road repair. During the year ended June 20, 2020, the County paid no interest and no principal on the 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](http://www.ipers.org).

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

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

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

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

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

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

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

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

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

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

In fiscal year 2020, 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 both 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, 2020 totaled \$285,213.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$1,567,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the County's proportion was 0.027073%, which was a decrease of 0.001547% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$378,427. At June 30, 2020, 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	\$ 12,119	69,519
Changes of assumptions	243,419	55,700
Net difference between projected and actual earnings on IPERS' investments		277,050
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	13,405	31,671
County contributions subsequent to the measurement date	285,213	-
Total	<u>\$ 554,156</u>	<u>433,940</u>

\$285,213 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, 2021. 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
2021	\$ 32,345
2022	(80,999)
2023	(61,585)
2024	(49,447)
2025	(5,311)
Total	<u>\$ (164,997)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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



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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 3,402,817	1,567,694	28,984

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](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

**(9) Other Postemployment Benefits (OPEB)**

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

OPEB Benefits – Individuals who are employed by Adair 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>72</u>
Total	<u><u>72</u></u>

Total OPEB Liability – The County's total OPEB liability of \$56,363 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2019)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	5.00% compounded annually, including inflation.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RP-2014 annuitant distinct mortality table adjusted to 2017 with MP 2016 generational projection of future mortality improvement. 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, 2020 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	\$ 66,873
Changes for the year:	
Service cost	6,999
Interest	1,928
Differences between expected and actual experiences	(18,327)
Changes in assumptions	197
Benefit payments	<u>(1,307)</u>
Net changes	<u>(10,510)</u>
Total OPEB liability end of year	<u>\$ 56,363</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2019 to 3.50% in fiscal year 2020.

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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 60,386	56,363	52,638

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

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 50,474	56,363	63,424

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$5,726. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	22,351
Changes in assumptions	2,459	-
Total	<u>\$ 2,459</u>	<u>22,351</u>

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

Year ending June 30,	Amount
2021	\$ (1,894)
2022	(1,894)
2023	(1,894)
2024	(1,894)
2025	(1,894)
Thereafter	<u>(10,422)</u>
	<u>\$ (19,892)</u>

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 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 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, 2020 were \$125,842.

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, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self-funding of the County's health insurance benefit plan. On January 1, 2015, the County discontinued the self-funding portion of its health insurance benefit plan and changed to a fully funded plan. Prior to January 1, 2016, the plan was funded by County contributions and was administered by the County. The County assumed liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively. On January 1, 2019 the County returned to the partial self-funding of the County's health insurance benefit plan which is administered through a service agreement with Secure Benefits. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$6,350 for a single plan and \$12,700 for a family plan. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Secure Benefits from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2020 was \$147,164.

The County was not required to obtain an actuarial report for the period ended June 30, 2020 since its plan qualifies as a "mini plan." A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2020.

**(12) County Financial Information Included in the Southern Hills Mental Health Region**

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa includes the following member counties: Adams County, Union County, Taylor County, and Adair County. The financial activity of Adair County’s Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2020, as follows:

Revenues:		
Property and other county tax		\$ 237,630
Intergovernmental revenues:		
State tax credits	\$ 12,923	
Other	8,150	21,073
		<u>258,703</u>
Total revenues		<u>258,703</u>
Expenditures:		
General administration:		
Distribution to regional fiscal agent		<u>258,796</u>
Excess of expenditures over revenues		(93)
Fund balance beginning of the year		<u>1,215</u>
Fund balance end of the year		<u>\$ 1,122</u>

**(13) Tax Abatements**

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

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the County of Anywhere offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Stuart	Urban renewal and economic development projects	\$ 13,453
City of Greenfield	Urban renewal and economic development projects	6,076
City of Fontanelle	Urban renewal and economic development projects	494

**(14) 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, 2021. 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.

**(15) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Adair County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Adair County's operations and finances.

**Required Supplementary Information**



Adair 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, 2020

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 8,536,370	8,377,034	8,377,034	159,336
Interest and penalty on property tax	18,860	30,000	30,000	(11,140)
Intergovernmental	5,151,515	4,709,510	5,649,677	(498,162)
Licenses and permits	20,447	16,400	16,400	4,047
Charges for service	244,165	213,951	227,834	16,331
Use of money and property	126,954	56,630	59,042	67,912
Miscellaneous	406,055	34,210	34,210	371,845
<b>Total receipts</b>	<b>14,504,366</b>	<b>13,437,735</b>	<b>14,394,197</b>	<b>110,169</b>
<b>Disbursements:</b>				
Public safety and legal services	1,769,194	1,852,009	1,927,198	158,004
Physical health and social services	271,885	296,837	296,837	24,952
Mental health	258,796	263,000	263,000	4,204
County environment and education	546,129	553,259	569,859	23,730
Roads and transportation	6,081,097	5,326,923	6,491,036	409,939
Governmental services to residents	451,055	490,369	490,369	39,314
Administration	983,009	1,012,979	1,064,729	81,720
Nonprogram Current	-	-	392,143	392,143
Debt service	2,291,666	2,261,347	2,261,347	(30,319)
Capital projects	7,846,716	9,999,739	9,999,739	2,153,023
<b>Total disbursements</b>	<b>20,499,547</b>	<b>22,056,462</b>	<b>23,756,257</b>	<b>3,256,710</b>
Excess (deficiency) of receipts over (under) disbursements	(5,995,181)	(8,618,727)	(9,362,060)	3,366,879
Other financing sources, net	9,777,917	10,000,000	10,000,000	(222,083)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,782,736	1,381,273	637,940	3,144,796
Balance beginning of year	9,495,901	8,016,916	9,495,394	507
<b>Balance end of year</b>	<b>\$ 13,278,637</b>	<b>9,398,189</b>	<b>10,133,334</b>	<b>3,145,303</b>

See accompanying independent auditor's report.

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Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,504,366	725,828	15,230,194
Expenditures	20,499,547	(147,323)	20,352,224
Net	(5,995,181)	578,505	(5,122,030)
Other financing sources, net	9,777,917	-	9,777,917
Beginning fund balances	9,495,901	517,403	10,013,304
Ending fund balances	\$ 13,278,637	1,095,908	14,669,191

See accompanying independent auditor's report.

**Adair County**

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service 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, two budget amendments increased budgeted disbursements by \$1,699,795. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the debt service function and disbursements in two departments exceeded the amount appropriated.

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Adair County

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

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

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.027073%	0.028620%	0.030499%	0.030568%
County's proportionate share of the net pension liability	\$ 1,568	1,811	2,032	1,924
County's covered payroll	\$ 2,960	2,924	2,868	2,629
County's proportionate share of the net pension liability as a percentage of its covered payroll	52.97%	61.94%	70.85%	73.18%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

\* 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.

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2016	2015
0.027811%	0.026506%
1,374	1,051
2,596	2,620
52.93%	40.11%
85.19%	87.61%

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Adair County

Schedule of County Contributions

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

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 285	285	267	262
Contributions in relation to the statutorily required contribution	(285)	(285)	(267)	(262)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 2,991	2,960	2,924	2,868
Contributions as a percentage of covered payroll	9.53%	9.63%	9.13%	9.14%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
254	245	241	221	192	150
(254)	(245)	(241)	(221)	(192)	(150)
-	-	-	-	-	-
2,629	2,596	2,620	2,502	2,361	2,207
9.66%	9.44%	9.20%	8.83%	8.13%	6.80%



Adair County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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.

Adair County

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

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 6,999	6,441	6,253
Interest cost	1,928	2,349	2,100
Difference between expected and actual experiences	(18,327)	-	(7,395)
Changes in assumptions	197	-	3,023
Benefit payments	(1,307)	(2,183)	(8,182)
Net change in total OPEB liability	(10,510)	6,607	(4,201)
Total OPEB liability beginning of year	66,873	60,266	64,467
Total OPEB liability end of year	\$ 56,363	66,873	60,266
Covered-employee payroll	\$ 3,223,767	2,797,925	2,716,432
Total OPEB liability as a percentage of covered-employee payroll	1.75%	2.39%	2.22%

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, 2020	3.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

**Adair County**

## **Supplementary Information**

Adair County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2020

				Special
<b>Assets</b>	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Reserve	
Cash, cash equivalents and pooled investments	\$ 1,266	15,890	9,510	
Receivables:				
Property tax:				
Delinquent	-	-	-	
Succeeding year	-	-	-	
Due from other governments	-	161	6	
Prepaid items	25,000	-	-	
<b>Total assets</b>	<b>\$ 26,266</b>	<b>16,051</b>	<b>9,516</b>	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
None	\$ -	-	-	
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	
Other	-	-	-	
Total deferred inflows of resources	-	-	-	
Fund balances:				
Fund balances:				
Nonexpendable:				
Prepaid items	25,000	-	-	
Restricted for:				
Debt service	-	-	-	
Bridge maintenance and replacement	-	-	-	
Other purposes	1,266	16,051	9,516	
Total fund balances	26,266	16,051	9,516	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,266</b>	<b>16,051</b>	<b>9,516</b>	

See accompanying independent auditor's report.

<u>Revenue</u>			
Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
15,857	725,526	396,582	1,164,631
-	-	4,305	4,305
-	-	693,000	693,000
-	114,502	-	114,669
-	-	-	25,000
<u>15,857</u>	<u>840,028</u>	<u>1,093,887</u>	<u>2,001,605</u>
-	-	-	-
-	-	693,000	693,000
-	-	4,305	4,305
-	-	697,305	697,305
-	-	-	25,000
-	-	396,582	396,582
-	840,028	-	840,028
<u>15,857</u>	<u>-</u>	<u>-</u>	<u>42,690</u>
<u>15,857</u>	<u>840,028</u>	<u>396,582</u>	<u>1,304,300</u>
<u>15,857</u>	<u>840,028</u>	<u>1,093,887</u>	<u>2,001,605</u>

Adair County

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

Year ended June 30, 2020

	Resource Enhancement and Protection	County Recorder's Records Management	Special Sheriff's Reserve
Revenues:			
Property tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	9,238	-	7
Charges for services	-	1,475	6
Use of money and property	54	47	29
Miscellaneous	-	-	750
Total revenues	<u>9,292</u>	<u>1,522</u>	<u>792</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	1
Roads and transportation	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	9,292	1,522	791
Fund balances beginning of year	16,974	14,529	8,725
Fund balances end of year	<u>\$ 26,266</u>	<u>16,051</u>	<u>9,516</u>

See accompanying independent auditor's report.

Revenue			
Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
-	-	678,760	678,760
-	797,464	-	797,464
-	-	55,853	65,098
-	-	-	1,481
68	1,953	1,159	3,310
561	-	-	1,311
629	799,417	735,772	1,547,424
9,868	-	-	9,869
-	734	-	734
-	-	471,370	471,370
-	634,740	-	634,740
9,868	635,474	471,370	1,116,713
(9,239)	163,943	264,402	430,711
25,096	676,085	132,180	873,589
15,857	840,028	396,582	1,304,300



Adair County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	791	164,424	32,598
Other County officials	22,684	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,290	2,034	51,506
Succeeding year	-	165,000	260,000	7,060,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	5,400	-
<b>Total assets</b>	<b>\$ 22,684</b>	<b>167,081</b>	<b>431,858</b>	<b>7,144,104</b>
<b>Liabilities</b>				
Due to other governments	\$ 21,004	167,081	417,207	7,144,104
Trusts payable	1,680	-	-	-
Compensated absences	-	-	14,651	-
<b>Total liabilities</b>	<b>\$ 22,684</b>	<b>167,081</b>	<b>431,858</b>	<b>7,144,104</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
2,169	19,311	1,912	7,877	291,545	23,302	543,929
-	-	-	-	-	-	22,684
3,682	20,386	2,500	12,951	-	11	94,360
449,000	3,096,000	395,000	1,655,000	-	1,000	13,081,000
-	-	-	-	-	35,868	35,868
-	-	-	-	-	112	112
-	-	-	-	-	-	5,400
<b>454,851</b>	<b>3,135,697</b>	<b>399,412</b>	<b>1,675,828</b>	<b>291,545</b>	<b>60,293</b>	<b>13,783,353</b>
454,851	3,135,697	399,412	1,675,828	291,545	37,611	13,744,340
-	-	-	-	-	22,682	24,362
-	-	-	-	-	-	14,651
<b>454,851</b>	<b>3,135,697</b>	<b>399,412</b>	<b>1,675,828</b>	<b>291,545</b>	<b>60,293</b>	<b>13,783,353</b>

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2020

	Agricultural			
	County Offices	Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 22,755	166,252	406,129	6,984,921
Additions:				
Property and other county tax	-	168,357	265,013	7,123,160
State tax credits	-	14,858	23,121	603,141
Office fees and collections	199,206	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	66,753	-	-	-
Miscellaneous	-	-	103	-
Total additions	265,959	183,215	288,237	7,726,301
Deductions:				
Agency remittances:				
To other funds	108,545	-	-	-
To other governments	86,866	182,386	262,508	7,567,118
Trusts paid out	70,619	-	-	-
Total deductions	266,030	182,386	262,508	7,567,118
Balances end of year	\$ 22,684	167,081	431,858	7,144,104

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
454,638	2,840,430	396,542	1,659,453	242,840	68,812	13,242,772
452,964	2,961,313	396,008	1,684,809	-	1,518	13,053,142
39,360	356,091	33,141	147,971	-	134	1,217,817
-	-	-	-	-	-	199,206
-	-	-	-	-	1,426	1,426
-	-	-	-	3,304,465	-	3,304,465
-	-	-	-	-	10,052	10,052
-	-	-	-	-	175,869	242,622
-	-	-	-	-	205	308
492,324	3,317,404	429,149	1,832,780	3,304,465	189,204	18,029,038
-	-	-	-	113,573	-	222,118
492,111	3,022,137	426,279	1,816,405	3,142,187	197,723	17,195,720
-	-	-	-	-	-	70,619
492,111	3,022,137	426,279	1,816,405	3,255,760	197,723	17,488,457
454,851	3,135,697	399,412	1,675,828	291,545	60,293	13,783,353

Adair County

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

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Property and other county tax	\$ 5,387,528	5,387,528	4,965,147	4,858,085
Tax increment financing	2,411,037	2,411,037	2,092,451	1,938,657
Local option sales tax	797,464	797,464	440,621	471,324
Interest and penalty on property tax	18,860	18,860	36,251	36,412
Intergovernmental	5,819,052	5,819,052	4,814,467	4,368,385
Licenses and permits	20,447	20,447	8,562	12,484
Charges for service	240,803	240,803	271,367	246,238
Use of money and property	127,100	127,100	78,643	51,584
Miscellaneous	407,903	407,903	32,131	57,693
Total	<u>\$ 15,230,194</u>	<u>15,230,194</u>	<u>12,739,640</u>	<u>12,040,862</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,782,427	1,782,427	1,539,025	1,355,584
Physical health and social services	265,740	265,740	251,344	255,760
Mental health	258,796	258,796	251,932	262,448
County environment and education	515,989	515,989	507,451	527,711
Roads and transportation	6,218,017	6,218,017	5,115,660	4,507,749
Governmental services to residents	451,205	451,205	453,921	404,593
Administration	1,000,195	1,000,195	864,545	794,843
Debt service	2,291,666	2,291,666	1,641,011	1,461,195
Capital projects	7,568,189	7,568,189	4,596,477	2,543,937
Total	<u>\$ 20,352,224</u>	<u>20,352,224</u>	<u>15,221,366</u>	<u>12,113,820</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
4,876,507	4,684,579	4,423,885	4,251,744	3,869,754	3,348,513
1,488,399	1,096,189	832,544	644,439	13,541	-
455,910	457,492	435,869	503,817	393,649	382,925
34,859	34,530	31,576	34,847	38,153	40,603
4,708,473	3,909,137	3,344,693	3,512,965	3,345,918	4,514,671
15,633	14,742	13,628	13,234	19,665	13,045
214,329	215,489	212,097	208,137	216,685	218,616
299,038	45,327	47,802	68,027	111,898	141,667
203,452	182,542	285,658	133,964	125,581	47,221
12,296,600	10,640,027	9,627,752	9,371,174	8,134,844	8,707,261
1,351,740	1,321,975	1,338,217	1,166,708	1,157,935	1,032,605
289,723	370,989	312,561	285,058	253,437	254,101
318,903	377,669	269,793	313,493	965,012	830,960
514,430	520,418	455,202	458,616	442,356	395,070
4,422,962	4,320,420	4,356,764	5,146,178	3,900,205	4,398,859
416,683	330,420	326,728	306,720	283,578	264,392
772,103	684,815	785,889	744,504	689,376	730,973
1,368,848	1,298,897	1,053,050	765,449	268,250	65,313
4,600,763	2,355,581	5,140,604	1,281,359	1,949,111	2,568,105
14,056,155	11,581,184	14,038,808	10,468,085	9,909,260	10,540,378



**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 Adair 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 Adair County, Iowa, as of and for the year ended June 30, 2020, 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, 2021.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 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.

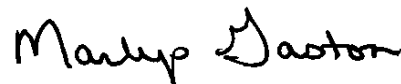
### Adair County's Responses to the Findings

Adair County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adair 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 Adair 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, 2021



Adair County

Schedule of Findings

Year ended June 30, 2020

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

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) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff, Recorder and Conservation
(2) The mail opener also has access to the accounts receivable records.	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 the County office’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions

Recommendation – The County offices noted above should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response and Corrective Action Planned

Conservation – The Conservation Board Director or Park Ranger, depending upon who is scheduled to work, collect the camper fee self-registration envelopes from the park and brings them to the office. The Director runs a total from the amount written on the self-registration envelope to reconcile with what the Secretary does. The envelopes are put into a locked file until the Secretary can open the envelopes, count the money and prepare a deposit slip. The Director takes the money and deposit slip to the Adair County Treasurer for deposit. Camping fees are entered into the Conservation Board financial records and balanced with the County Treasurer’s report at the end of the month.

Adair County

Schedule of Findings

Year ended June 30, 2020

Recorder – We have 2 ½ people in the office. We try our best to segregate duties. At the end of the day, one balances the ledger and the other counts the money and makes out the deposit. This is rotated the bank reconciliation is completed by Joni (part time clerk) and Tiffany from the Assessor's office. The cash receipting program Eagle has the fees present, so when entering number of pages and transfers of recording the program automatically. This is the same process for licenses and vitals.

Sheriff – As acknowledged in the audit's recommendation section, the ability to segregate some duties is limited by available staff. When I am available and not on an assignment outside the confines of the office and/or jail, I have implemented procedures to open incoming mail as well as keeping a written log which is in addition to our computerized Records Management System (RMS) for listing receipts. I also reconcile my written receipts log with our monthly bank statements to ensure maximum internal control under the circumstances.

Conclusion – Responses acknowledged. Departments should continue to review control activities to obtain the maximum control possible under the circumstances.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Adair County

Schedule of Findings

Year ended June 30, 2020

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the debt service function and disbursements in two departments exceeded the amount appropriated.

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

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

Response – Adair County will make every effort to comply with Chapters 331.435 and 331.434(6) of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	\$ 1,983
Jeff Vandewater, County Sheriff, Son is Tyler Vandewater	Underage compliance checks	750
Pam Jensen, Deputy Assessor brother-in-law is owner of SW Iowa Pest Control	Pest control	932

The transactions with Don Carlos Insurance, Tyler Vandewater and SW Iowa Pest Control do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$6,000 during the fiscal year.

Adair County

Schedule of Findings

Year ended June 30, 2020

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Adair County

Staff

This audit was performed by:

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Deborah M. Moser, CPA, Manager  
Nichole D. Tucker, Senior Auditor  
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