



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ January 27, 2017 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$26,416,424 for the year ended June 30, 2016, which included \$2,485,385 in tax credits from the state. The County forwarded \$18,733,698 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,682,726 of the local tax revenue to finance County operations, a 26% increase over the prior year. Other revenues included charges for service of \$2,019,610, operating grants, contributions and restricted interest of \$3,910,744, capital grants, contributions and restricted interest of \$376,102, tax increment financing of \$21,775, local option sales tax of \$571,246, unrestricted investment earnings of \$26,383, gain on disposition of capital assets of \$201,271 and other general revenues of \$44,745.

Expenses for County operations for the year ended June 30, 2016 totaled \$12,335,676, a 4.8% increase over the prior year. Expenses included \$5,385,666 for roads and transportation, \$2,894,996 for public safety and legal services and \$1,306,218 for administration.

The significant increase in revenues is due primarily to an increase in property and other county tax.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0071-B00F>.

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**O'BRIEN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2016**

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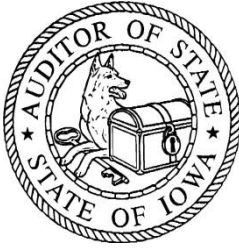
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**O'Brien County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James DeBoom	Board of Supervisors	Jan 2017
Nancy McDowell	Board of Supervisors	Jan 2017
John Steensma	Board of Supervisors	Jan 2017
Thomas Farnsworth	Board of Supervisors	Jan 2019
Daniel Friedrichsen	Board of Supervisors	Jan 2019
Barbara Rohwer	County Auditor	Jan 2017
Phyllis Rohlfen	County Treasurer	Jan 2019
Susan Smith	County Recorder	Jan 2019
Michael J. Anderson	County Sheriff	Jan 2017
Micah Schreurs	County Attorney	Jan 2019
Lowell L. Dykstra	County Assessor	Jan 2016



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Independent Auditor's Report

To the Officials of O'Brien County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County as of June 30, 2016, 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 Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

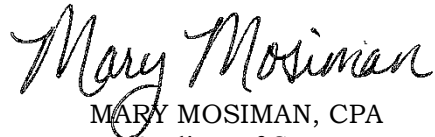
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2017 on our consideration of O'Brien County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering O'Brien County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

January 24, 2017

**O'Brien County**

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

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 6.5%, or approximately \$1,031,000, from fiscal year 2015 to fiscal year 2016. Property and other county tax increased approximately \$1,188,000. Capital grants, contributions and restricted interest decreased approximately \$2,846,000. Operating grants, contributions and restricted interest increased approximately \$312,000.
- Program expenses of the County's governmental activities were approximately \$12,335,000 in fiscal year 2016, approximately \$569,000 more than in fiscal year 2015. Roads and transportation expenses increased approximately \$405,000 and administration expenses increased approximately \$173,000.
- The County's net position increased 8.7%, or approximately \$2,519,000, from June 30, 2015 to June 30, 2016.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of O'Brien County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report O'Brien County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which O'Brien County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service, Employee Health Insurance and Workers' Compensation Self Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharges, emergency management services and the County Assessor, to name a few.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. O'Brien County's combined net position increased from a year ago, from approximately \$29 million to approximately \$31.5 million. The analysis that follows focuses on the changes in the net position of governmental activities.

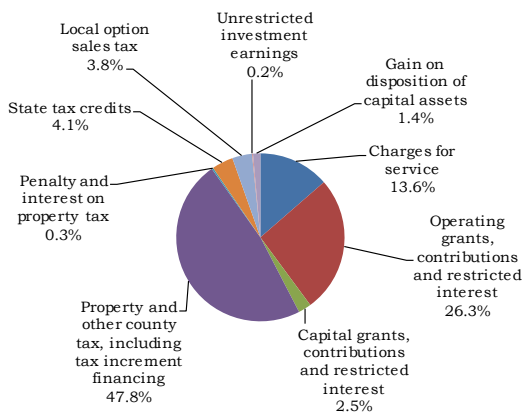
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 18,717	17,423
Capital assets	23,588	22,938
Total assets	42,305	40,361
Deferred outflows of resources	530	526
Long-term liabilities	3,550	3,211
Other liabilities	357	485
Total liabilities	3,907	3,696
Deferred inflows of resources	7,394	8,176
Net position:		
Net investments in capital assets	23,038	22,118
Restricted	6,203	5,513
Unrestricted	2,293	1,384
Total net position	\$ 31,534	29,015

Net position of O'Brien County's governmental activities increased approximately \$2,519,000, or 8.7%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,384,000 at June 30, 2015 to approximately \$2,293,000 at the end of this year, a 65.7% increase.

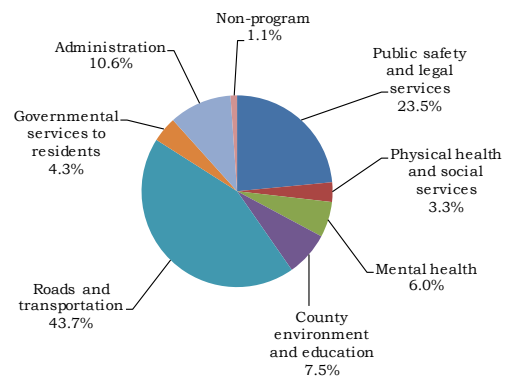
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 2,020	1,923
Operating grants, contributions and restricted interest	3,911	3,599
Capital grants, contributions and restricted interest	376	3,222
General revenues:		
Property and other county tax, including tax increment financing	7,093	5,905
Penalty and interest on property tax	42	45
State tax credits	612	458
Local option sales tax	571	497
Unrestricted investment earnings	26	35
Gain on disposition of capital assets	201	177
Miscellaneous	2	24
<b>Total revenues</b>	<b>14,854</b>	<b>15,885</b>
Program expenses:		
Public safety and legal services	2,895	2,909
Physical health and social services	407	427
Mental health	743	916
County environment and education	923	838
Roads and transportation	5,386	4,981
Governmental services to residents	529	457
Administration	1,306	1,133
Non-program	140	88
Interest on long-term debt	6	17
<b>Total expenses</b>	<b>12,335</b>	<b>11,766</b>
<b>Change in net position</b>	<b>2,519</b>	<b>4,119</b>
<b>Net position beginning of year</b>	<b>29,015</b>	<b>24,896</b>
<b>Net position end of year</b>	<b>\$ 31,534</b>	<b>29,015</b>

**Revenues by Source**



**Expenses by Program**



O'Brien County's net position of governmental activities increased approximately \$2,519,000 during the year. Revenues for governmental activities decreased approximately \$1,031,000 from the prior year. Property and other county tax revenue increased approximately \$1,188,000, or 20.1%, from the prior year. Capital grants, contributions and restricted interest decreased approximately \$2,846,000. Operating grants, contributions and restricted interest increased approximately \$312,000, due primarily to increases in road use tax and increases in other grants.

The cost of all governmental activities this year increased approximately \$569,000 compared to last year at approximately \$12.3 million. As shown in the Statement of Activities on page 19, the amount property taxpayers ultimately financed for these activities was approximately \$6 million because some of the cost was paid by those who directly benefited from the programs, approximately \$2.0 million, and by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$4.3 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately \$8,744,000 to approximately \$6,307,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$9.18 million, an increase of approximately \$1.23 million from last year's total of approximately \$7.95 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$1,343,000, or 25.9%, while expenditures increased approximately \$146,000 from the prior year to approximately \$5,311,000, an increase of 2.8%. The ending fund balance increased approximately \$1.03 million from the prior year to approximately \$3,821,000.
- Mental health expenditures for the year totaled approximately \$681,000, a decrease of 13.6% from the prior year. Revenues decreased approximately \$212,000, a decrease of 26.7%. The Special Revenue, Mental Health Fund balance decreased approximately \$98,000 from the prior year to approximately \$363,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$384,000, principally due to an increase in property and other county tax of approximately \$296,000. Expenditures increased approximately \$14,000 from the prior year to approximately \$913,000, an increase of 1.6%. The ending fund balance increased approximately \$275,000 from the prior year to approximately \$673,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$546,000, primarily due to an increase in intergovernmental revenues. Expenditures increased approximately \$1,124,000 from the prior year to approximately \$5,817,000, an increase of 23.9%. The increase is primarily due to an increase in road and capital projects expenditures. The ending fund balance decreased approximately \$49,000 from the prior year to approximately \$4,018,000.

## BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget three times. The first amendment made in September 2015 resulted in an increase in budgeted disbursements of \$712,957. The largest portion of this increase was \$328,556 for the mental health function. This was in preparation for transferring the balance of the Special Revenue, Mental Health Fund to the agency, Regional Mental Health Fund as discussed in the Regional Mental Health board meeting. The second amendment was made in March 2016 and resulted in increases or decreases in budgeted disbursements for all functions except the roads and transportation function, netting to an overall decrease of \$168,221 in total disbursements and other uses. Mental health function disbursements decreased \$325,153 due to the decision to no longer transfer the balance of the Special Revenue, Mental Health Fund to the Agency, Regional Mental Health Fund as previously thought for the first amendment. Partially offsetting this large decrease in disbursements, intergovernmental receipts increased \$164,809. The third amendment was made in May 2016 and resulted in an increase of \$461,967 in total budgeted disbursements, \$175,000 from an increase in capital projects disbursements. To partially offset this increase in disbursements, miscellaneous receipts increased \$47,985.

The County's receipts were \$932,010 more than budgeted, a variance of 6.9%. The variance is a result of a conservative budgeting process which underestimates projected receipts for the County.

Total disbursements were \$12,834,082, or 8.9% less than the amended budget. Actual disbursements for the capital projects, public safety and legal services and administration functions were under budget by \$246,478, \$378,281 and \$135,073, respectively. Capital projects function disbursements were less than anticipated due to fewer secondary road projects than anticipated. The public safety and legal services and administration functions did not spend as much on salaries and utilities as anticipated. Actual disbursements did not exceed the budget in any function during fiscal year 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, O'Brien County had approximately \$23.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$650,000, or 2.8%, over the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 1,019	1,019
Construction in progress, road network	267	277
Buildings and improvements	3,274	3,370
Equipment and vehicles	4,195	3,418
Infrastructure	14,833	14,854
Total	\$ 23,588	22,938
This year's major additions included (in thousands):		
Infrastructure	\$	798
Vehicles for Sheriff's Office		55
Phone System for Public Safety Building		37
Motorgraders for Secondary Roads		306
Equipment for Secondary Roads		136
Tractor for Secondary Roads		235
Truck for Secondary Roads		119
Vehicle for Secondary Roads		119
Telecommunications System for E911		165
Total	\$	1,970



The County had depreciation expense of \$1,494,407 in fiscal year 2016 and total accumulated depreciation of \$13,693,996 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2016, O'Brien County had \$550,000 of general obligation notes outstanding, compared to \$820,000 of general obligation notes outstanding at June 30, 2015.

The County continues to carry a general obligation bond rating of AAA assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$81.5 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 3.0% versus 2.9% a year ago. This compares with the State's unemployment rate of 3.4% and the national rate of 4.9% for the period ended June 30, 2016.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget were approximately \$19.6 million, an increase of 6.9% from the final fiscal year 2016 budget. Budgeted disbursements are expected to increase \$1,055,291 from fiscal year 2016 actual disbursements. If these estimates are realized, the County's budgetary operating balance is expected to decrease \$323,819 by the close of fiscal year 2017.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2017. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

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

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

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51245.

**O'Brien County**

## **Basic Financial Statements**

**Exhibit A**

O'Brien County  
Statement of Net Position  
June 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 10,345,261
Receivables:	
Property tax:	
Delinquent	3,020
Succeeding year	7,050,000
Interest and penalty on property tax	12,121
Accounts	20,875
Accrued interest	7,078
Due from other governments	443,946
Inventories	756,075
Prepaid expenses	78,264
Capital assets, net of accumulated depreciation	<u>23,588,281</u>
<b>Total assets</b>	<u>42,304,921</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>529,961</u>
<b>Liabilities</b>	
Accounts payable	297,826
Accrued interest payable	394
Salaries and benefits payable	45,543
Due to other governments	12,869
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	280,000
Compensated absences	288,411
Portion due or payable after one year:	
General obligation notes	270,000
Net pension liability	2,261,515
Net OPEB liability	<u>450,539</u>
<b>Total liabilities</b>	<u>3,907,097</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	7,050,000
Pension related deferred inflows	<u>343,753</u>
<b>Total deferred inflows of resources</b>	<u>7,393,753</u>
<b>Net Position</b>	
Net investment in capital assets	23,038,281
Restricted for:	
Supplemental levy purposes	1,055,096
Mental health purposes	362,848
Rural services purposes	593,610
Secondary roads purposes	3,806,163
Drainage purposes	56,502
Debt service	13,356
Other purposes	315,354
Unrestricted	<u>2,292,822</u>
<b>Total net position</b>	<u>\$ 31,534,032</u>

See notes to financial statements.

O'Brien County  
 Statement of Activities  
 Year ended June 30, 2016

	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	\$ 2,894,996	819,024	25,820	165,472	(1,884,680)
Physical health and social services	407,099	147,621	176,091	-	(83,387)
Mental health	742,870	65,851	-	-	(677,019)
County environment and education	922,643	158,302	15,726	31,780	(716,835)
Roads and transportation	5,385,666	250,731	3,692,295	178,850	(1,263,790)
Governmental services to residents	529,169	316,594	258	-	(212,317)
Administration	1,306,218	32,099	15	-	(1,274,104)
Non-program	140,577	229,388	-	-	88,811
Interest on long-term debt	6,438	-	539	-	(5,899)
Total	\$ 12,335,676	2,019,610	3,910,744	376,102	(6,029,220)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					6,814,335
Debt service					256,713
Tax increment financing					21,775
Penalty and interest on property tax					42,288
State tax credits					611,678
Local option sales tax					571,246
Unrestricted investment earnings					26,383
Gain on disposition of capital assets					201,271
Miscellaneous					2,457
Total general revenues					8,548,146
Change in net position					2,518,926
Net position beginning of year					29,015,106
Net position end of year					\$ 31,534,032

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2016

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 3,722,183	363,610	607,226	3,167,433
Receivables:				
Property tax:				
Delinquent	2,354	296	223	-
Succeeding year	4,123,000	531,000	2,132,000	-
Interest and penalty on property tax	12,121	-	-	-
Accounts	18,440	-	250	2,185
Accrued interest	4,666	-	-	-
Due from other governments	101,410	-	68,018	274,518
Inventories	-	-	-	756,075
Prepaid expenditures	78,264	-	-	-
<b>Total assets</b>	<b>\$ 8,062,438</b>	<b>894,906</b>	<b>2,807,717</b>	<b>4,200,211</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 77,376	-	2,265	149,513
Salaries and benefits payable	17,862	402	-	27,279
Due to other governments	7,768	-	-	5,101
Total liabilities	103,006	402	2,265	181,893
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,123,000	531,000	2,132,000	-
Other	14,935	296	223	-
Total deferred inflows of resources	4,137,935	531,296	2,132,223	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	756,075
Prepaid expenditures	78,264	-	-	-
Restricted for:				
Supplemental levy purposes	1,075,032	-	-	-
Mental health purposes	-	363,208	-	-
Rural services purposes	-	-	673,229	-
Secondary roads purposes	-	-	-	3,262,243
Drainage purposes	-	-	-	-
Debt service	-	-	-	-
Other purposes	79,513	-	-	-
Committed for ambulance replacement	145,521	-	-	-
Unassigned	2,443,167	-	-	-
Total fund balances	3,821,497	363,208	673,229	4,018,318
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,062,438</b>	<b>894,906</b>	<b>2,807,717</b>	<b>4,200,211</b>

See notes to financial statements.

Nonmajor	Total
317,079	8,177,531
147	3,020
264,000	7,050,000
-	12,121
-	20,875
151	4,817
-	443,946
-	756,075
-	78,264
<u>581,377</u>	<u>16,546,649</u>
11,284	240,438
-	45,543
-	12,869
<u>11,284</u>	<u>298,850</u>
264,000	7,050,000
147	15,601
<u>264,147</u>	<u>7,065,601</u>
-	756,075
-	78,264
-	1,075,032
-	363,208
-	673,229
-	3,262,243
56,502	56,502
13,603	13,603
235,841	315,354
-	145,521
-	2,443,167
<u>305,946</u>	<u>9,182,198</u>
<u>581,377</u>	<u>16,546,649</u>

**O'Brien County**



O'Brien County

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

June 30, 2016

**Total governmental fund balances (page 21)** \$ 9,182,198

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$37,282,277 and the accumulated depreciation is \$13,693,996. 23,588,281

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. 15,601

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 2,112,603

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

Deferred outflows of resources	\$ 529,961	
Deferred inflows of resources	<u>(343,753)</u>	186,208

Long-term liabilities, including notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,550,859)

**Net position of governmental activities (page 18)** \$ 31,534,032

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2016

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 4,236,179	532,720	2,044,673	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	571,246	-
Interest and penalty on property tax	40,146	-	-	-
Intergovernmental	1,303,911	50,182	222,243	3,692,295
Licenses and permits	121,650	-	-	150,752
Charges for service	556,951	-	-	-
Use of money and property	210,083	-	-	4,980
Miscellaneous	64,433	656	3,162	96,104
<b>Total revenues</b>	<b>6,533,353</b>	<b>583,558</b>	<b>2,841,324</b>	<b>3,944,131</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	2,200,467	-	758,619	-
Physical health and social services	415,653	-	-	-
Mental health	69,136	681,162	-	-
County environment and education	708,916	-	153,184	-
Roads and transportation	-	-	-	5,130,878
Governmental services to residents	545,871	-	1,335	-
Administration	1,340,722	-	-	-
Non-program	30,160	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	686,432
<b>Total expenditures</b>	<b>5,310,925</b>	<b>681,162</b>	<b>913,138</b>	<b>5,817,310</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,222,428</b>	<b>(97,604)</b>	<b>1,928,186</b>	<b>(1,873,179)</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	41,220
Transfers in	-	-	-	1,782,559
Transfers out	(194,619)	-	(1,652,940)	-
<b>Total other financing sources (uses)</b>	<b>(194,619)</b>	<b>-</b>	<b>(1,652,940)</b>	<b>1,823,779</b>
<b>Change in fund balances</b>	<b>1,027,809</b>	<b>(97,604)</b>	<b>275,246</b>	<b>(49,400)</b>
<b>Fund balances beginning of year</b>	<b>2,793,688</b>	<b>460,812</b>	<b>397,983</b>	<b>4,067,718</b>
<b>Fund balances end of year</b>	<b>\$ 3,821,497</b>	<b>363,208</b>	<b>673,229</b>	<b>4,018,318</b>

See notes to financial statements.

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Nonmajor	Total
256,873	7,070,445
21,775	21,775
-	571,246
-	40,146
39,632	5,308,263
-	272,402
4,039	560,990
2,258	217,321
9,408	173,763
<u>333,985</u>	<u>14,236,351</u>
-	2,959,086
-	415,653
-	750,298
46,679	908,779
-	5,130,878
-	547,206
-	1,340,722
-	30,160
277,585	277,585
-	686,432
<u>324,264</u>	<u>13,046,799</u>
<u>9,721</u>	<u>1,189,552</u>
-	41,220
65,000	1,847,559
-	(1,847,559)
<u>65,000</u>	<u>41,220</u>
74,721	1,230,772
<u>231,225</u>	<u>7,951,426</u>
<u>305,946</u>	<u>9,182,198</u>

O'Brien County

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

Year ended June 30, 2016

**Change in fund balances - Total governmental funds (page 25)** \$ 1,230,772

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

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

Expenditures for capital assets	\$ 1,984,568	
Depreciation expense	<u>(1,494,407)</u>	490,161

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. 160,051

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	603	
Other	<u>(24,378)</u>	(23,775)

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. 270,000

The current year County share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 417,865

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	(13,784)	
Other postemployment benefits	(31,768)	
Pension expense	(212,951)	
Interest on long-term debt	<u>147</u>	(258,356)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 232,208

**Change in net position of governmental activities (page 19)** \$ 2,518,926

See notes to financial statements.

O'Brien County  
Statement of Net Position  
Proprietary Funds

June 30, 2016

	<u>Internal Service</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,317,730
Investments	850,000
Accrued interest receivable	2,261
<b>Total current assets</b>	<u>2,169,991</u>
<b>Current Liabilities</b>	
Accounts payable	<u>57,388</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 2,112,603</u></u>

See notes to financial statements.

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

Year ended June 30, 2016

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,303,435
Reimbursements from others	19,638
Total operating revenues	<u>1,323,073</u>
Operating expenses:	
Health claims and administrative services	<u>1,105,160</u>
Operating income	217,913
Non-operating revenues:	
Interest income	<u>14,295</u>
Net income	232,208
Net position beginning of year	<u>1,880,395</u>
Net position end of year	<u><u>\$ 2,112,603</u></u>

See notes to financial statements.

O'Brien County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2016

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,303,435
Cash received from others	21,793
Cash paid for health claims and for administrative services	(1,081,166)
Cash paid for operating fund reimbursements	<u>(893)</u>
Net cash provided by operating activities	243,169
Cash flows from investing activities:	
Interest on investments	<u>13,744</u>
Increase in cash and cash equivalents	256,913
Cash and cash equivalents beginning of year	<u>1,060,817</u>
Cash and cash equivalents end of year	<u>\$ 1,317,730</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 217,913
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in receivables	2,155
Decrease in payables	<u>23,101</u>
Net cash provided by operating activities	<u>\$ 243,169</u>

See notes to financial statements.

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

June 30, 2016

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 4,314,552
Other County officials	43,551

Receivables:

Property tax:

Delinquent	13,463
Succeeding year	16,860,000

Accounts	11,615
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Accrued interest	731
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Special assessments	662,432
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Due from other governments	141,176
----------------------------	---------

<b>Total assets</b>	<u>22,047,520</u>
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**Liabilities**

Accounts payable	163,399
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Due to other governments	21,835,302
--------------------------	------------

Turst payable	29,397
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Compensated absences	19,422
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<b>Total liabilities</b>	<u>22,047,520</u>
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<b>Net position</b>	<u><u>\$ -</u></u>
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See notes to financial statements.



O'Brien County

Notes to Financial Statements

June 30, 2016

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

O'Brien County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference Board, O'Brien County Emergency Management Services Commission and Joint E911 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.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. 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 assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire the capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. 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.

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 consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

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

The County's deposits in banks at June 30, 2016 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 \$2,890,985 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 investment in the IPAIT is unrated for credit risk purposes.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.



**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 129,619
	Special Revenue:	
	Rural Services	1,652,940
Resource Enhancement and Protection	General	65,000
Total		<u>\$ 1,847,559</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,019,401	-	-	1,019,401
Construction in progress, road network	277,234	798,035	807,993	267,276
Total capital assets not being depreciated	1,296,635	798,035	807,993	1,286,677
Capital assets being depreciated:				
Buildings	4,873,764	-	-	4,873,764
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	8,644,286	1,445,033	747,827	9,341,492
Infrastructure, road network	20,941,654	807,993	-	21,749,647
Total capital assets being depreciated	34,490,401	2,253,026	747,827	35,995,600
Less accumulated depreciation for:				
Buildings	1,522,226	94,894	-	1,617,120
Improvements other than buildings	12,893	614	-	13,507
Equipment and vehicles	5,226,483	569,034	649,378	5,146,139
Infrastructure, road network	6,087,365	829,865	-	6,917,230
Total accumulated depreciation	12,848,967	1,494,407	649,378	13,693,996
Total capital assets being depreciated, net	21,641,434	758,619	98,449	22,301,604
Governmental activities capital assets, net	\$ 22,938,069	1,556,654	906,442	23,588,281

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 159,832
Physical health and social services	261
County environment and education	57,083
Roads and transportation	1,228,278
Governmental services to residents	7,717
Administration	14,773
Non Program Expenditures	26,463
Total depreciation expense – governmental activities	<u>\$ 1,494,407</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 7,768
Special Revenue:		
Secondary Roads	Services	5,101
Total for governmental funds		<u>\$ 12,869</u>
Agency:		
County Assessor	Collections	\$ 472,175
Schools		9,843,042
Community Colleges		611,945
Corporations		5,860,476
Townships		237,732
Auto License, Use Tax and Driver's License		404,540
E911 Surcharges		444,855
All other		3,960,537
Total for agency funds		<u>\$ 21,835,302</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 820,000	274,627	1,697,768	418,771	3,211,166
Increases	-	355,920	563,747	38,630	958,297
Decreases	270,000	342,136	-	6,862	618,998
Balance end of year	<u>\$ 550,000</u>	<u>288,411</u>	<u>2,261,515</u>	<u>450,539</u>	<u>3,550,465</u>
Due within one year	<u>\$ 280,000</u>	<u>288,411</u>	-	-	568,411

General Obligation Notes

A summary of the County's June 30, 2016 general obligation note indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Refunding Notes, Series 2012 Issued Nov 27, 2012			
	Interest Rates	Principal	Interest	Total
2017	0.75 - 0.80%	\$ 280,000	4,210	284,210
2018	0.95 - 1.00	270,000	1,958	271,958
Total		\$ 550,000	6,168	556,168

During the year ended June 30, 2016, the County retired \$270,000 of general obligation notes.

**(7) Industrial Development Revenue Bonds**

The County has issued a total of \$8,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. At June 30, 2016, the outstanding principal balance was \$7,322,306. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

**(8) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive 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 or protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$417,865.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$2,261,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the County’s proportion was 0.045775%, which was an increase of 0.002966% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$212,951. At June 30, 2016, 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	\$ 34,328	33,605
Changes of assumptions	62,555	20,675
Net difference between projected and actual earnings on IPERS' investments	-	275,970
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	15,213	13,503
County contributions subsequent to the measurement date	417,865	-
Total	\$ 529,961	343,753

\$417,865 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, 2017. 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
2017	\$ (120,912)
2018	(120,912)
2019	(120,912)
2020	131,065
2021	14
Total	\$ (231,657)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 4,737,448	2,261,515	174,098

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 employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 88 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The health coverage, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 37,881
Interest on net OPEB obligation	16,751
Adjustment to annual required contribution	<u>(16,002)</u>
Annual OPEB cost	38,630
Contributions made	<u>(6,862)</u>
Increase in net OPEB obligation	31,768
Net OPEB obligation beginning of year	<u>418,771</u>
Net OPEB obligation end of year	<u><u>\$ 450,539</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$6,862 to the medical plan and there were no plan member contributions.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	61,704	65.5	387,088
2015	37,980	16.6	418,771
2016	38,630	17.8	450,538

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$354,159, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$354,159. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,445,943 and the ratio of the UAAL to covered payroll was 8.0%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County’s funding policy. The projected annual health trend rate is 8.5%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purposes of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$1,505 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



**(10) Risk Management**

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

**(11) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross Blue Shield from the Employee Health Insurance Fund. The County's contribution to the fund for the year ended June 30, 2016 was \$1,303,435.

Amounts payable from the Employee Health Insurance Fund at June 30, 2016 total \$57,388, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,096,178 at June 30, 2016 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 34,287
Incurred claims (including claims incurred but not reported at June 30, 2014)	1,104,267
Payment on claims during the fiscal year	<u>1,081,166</u>
Unpaid claims end of year	<u>\$ 57,388</u>

**(12) Contingent Liability**

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

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

Northwest Iowa Care Connections, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective April 25, 2015, includes the following member counties: Clay County, Dickinson County, Lyon County, O'Brien County, Osceola County and Palo Alto County. The financial activity of O'Brien County's Special Revenue, Mental Health Fund is included in Northwest Iowa Care Connections for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 532,720
Intergovernmental revenues:		
State tax credits	\$ 39,211	
Other intergovernmental revenues	<u>10,971</u>	50,182
Miscellaneous		<u>656</u>
Total revenues		<u>583,558</u>
Expenditures:		
General administration:		
Direct administration	9,751	
Distribution to regional fiscal agent	<u>671,411</u>	<u>681,162</u>
Excess of expenditures over revenues		(97,604)
Fund balance beginning of the year		<u>460,812</u>
Fund balance end of the year		<u>\$ 363,208</u>

**Required Supplementary Information**

O'Brien County

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

Required Supplementary Information

Year ended June 30, 2016

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 7,661,400	-	7,661,400
Interest and penalty on property tax	40,146	-	40,146
Intergovernmental	5,426,996	-	5,426,996
Licenses and permits	274,509	-	274,509
Charges for service	562,811	-	562,811
Use of money and property	216,101	402	215,699
Miscellaneous	165,965	-	165,965
<b>Total receipts</b>	<b>14,347,928</b>	<b>402</b>	<b>14,347,526</b>
<b>Disbursements:</b>			
Public safety and legal services	2,980,613	-	2,980,613
Physical health and social services	413,134	-	413,134
Mental health	803,409	-	803,409
County environment and education	867,058	1,759	865,299
Roads and transportation	4,722,468	-	4,722,468
Governmental services to residents	563,504	-	563,504
Administration	1,395,408	-	1,395,408
Non-program	33,089	-	33,089
Debt service	276,585	-	276,585
Capital projects	780,573	-	780,573
<b>Total disbursements</b>	<b>12,835,841</b>	<b>1,759</b>	<b>12,834,082</b>
Excess (deficiency) of receipts over (under) disbursements	1,512,087	(1,357)	1,513,444
Other financing sources, net	41,220	-	41,220
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,553,307	(1,357)	1,554,664
Balance beginning of year	6,624,224	62,268	6,561,956
<b>Balance end of year</b>	<b>\$ 8,177,531</b>	<b>60,911</b>	<b>8,116,620</b>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
7,684,426	7,565,460	95,940
27,500	34,000	6,146
4,425,335	4,778,726	648,270
90,400	202,500	72,009
448,240	481,574	81,237
156,710	203,323	12,376
85,410	149,933	16,032
12,918,021	13,415,516	932,010
3,313,187	3,358,894	378,281
448,549	446,589	33,455
841,538	844,941	41,532
912,663	1,195,489	330,190
4,575,000	4,750,000	27,532
609,668	589,525	26,021
1,298,164	1,530,481	135,073
9,500	71,993	38,904
276,585	276,585	-
800,000	1,027,060	246,487
13,084,854	14,091,557	1,257,475
(166,833)	(676,041)	2,189,485
-	-	41,220
(166,833)	(676,041)	2,230,705
5,071,192	4,881,364	1,680,903
4,904,359	4,205,323	3,911,297

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O'Brien County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,347,928	(111,577)	14,236,351
Expenditures	12,835,841	210,958	13,046,799
Net	1,512,087	(322,535)	1,189,552
Other financing sources, net	41,220	-	41,220
Beginning fund balances	6,624,224	1,327,202	7,951,426
Ending fund balances	\$ 8,177,531	1,004,667	9,182,198

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,006,703. 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 E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

**O'Brien County**



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O'Brien County

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

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

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.045775%	0.042809%
County's proportionate share of the net pension liability	\$ 2,262	1,698
County's covered-employee payroll	\$ 4,374	4,237
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.71%	40.08%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

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O'Brien County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 418	404	391	368
Contributions in relation to the statutorily required contribution	(418)	(404)	(391)	(368)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 4,546	4,374	4,237	4,065
Contributions as a percentage of covered-employee payroll	9.20%	9.24%	9.23%	9.05%

See accompanying independent auditor's report.

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2012	2011	2010	2009	2008	2007
339	294	280	278	244	224
(339)	(294)	(280)	(278)	(244)	(224)
-	-	-	-	-	-
3,947	3,711	3,769	3,929	3,683	3,445
8.59%	7.92%	7.43%	7.08%	6.63%	6.50%

O'Brien County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

*Changes of benefit terms:*

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions:*

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 beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

O'Brien County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 878	878	0.0%	\$ 3,779	23.2%
2010	Jul 1, 2008	-	878	878	0.0	3,816	23.0
2011	Jul 1, 2008	-	878	878	0.0	3,759	23.4
2012	Jul 1, 2011	-	617	617	0.0	4,013	15.4
2013	Jul 1, 2011	-	617	617	0.0	4,152	14.9
2014	Jul 1, 2011	-	576	576	0.0	4,277	13.5
2015	Jul 1, 2014	-	354	354	0.0	4,316	8.2
2016	Jul 1, 2014	-	354	354	0.0	4,446	8.0

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**O'Brien County**

## **Supplementary Information**

O'Brien County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2016

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 176,665	31,318	4,217
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accrued interest	94	17	-
<b>Total assets</b>	<b>\$ 176,759</b>	<b>31,335</b>	<b>4,217</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	6,844	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Drainage purposes	\$ -	-	-
Debt service	-	-	-
Other purposes	176,759	24,491	4,217
Total fund balances	176,759	24,491	4,217
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 176,759</b>	<b>31,335</b>	<b>4,217</b>

See accompanying independent auditor's report.



Special Revenue							
County Attorney Forfeiture	Housing Rehab	Special Environment	Drainage Districts	County Urban Renewal	Debt Service	Total	
1,250	23,866	5,253	60,911	-	13,599	317,079	
-	-	-	-	-	147	147	
-	-	-	-	-	264,000	264,000	
-	5	-	31	-	4	151	
1,250	23,871	5,253	60,942	-	277,750	581,377	
-	-	-	4,440	-	-	11,284	
-	-	-	-	-	264,000	264,000	
-	-	-	-	-	147	147	
-	-	-	-	-	264,147	264,147	
-	-	-	56,502	-	-	56,502	
-	-	-	-	-	13,603	13,603	
1,250	23,871	5,253	-	-	-	235,841	
1,250	23,871	5,253	56,502	-	13,603	305,946	
1,250	23,871	5,253	60,942	-	277,750	581,377	

O'Brien County

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

Year ended June 30, 2016

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	County Attorney Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	14,142	-	-	-
Charges for service	-	4,039	-	-
Use of money and property	993	258	-	-
Miscellaneous	-	-	1,458	389
Total revenues	15,135	4,297	1,458	389
Expenditures:				
Operating:				
County environment and education	-	20,613	-	-
Debt service	-	-	-	-
Total expenditures	-	20,613	-	-
Excess (deficiency) of revenues over (under) expenditures	15,135	(16,316)	1,458	389
Other financing sources:				
Transfer in	65,000	-	-	-
Changes in fund balances	80,135	(16,316)	1,458	389
Fund balances beginning of year	96,624	40,807	2,759	861
Fund balances end of year	\$ 176,759	24,491	4,217	1,250

See accompanying independent auditor's report.

Housing Rehab	Special Environment	Drainage Districts	County Urban Renewal	Debt Service	Total
-	-	-	-	256,873	256,873
-	-	-	21,775	-	21,775
-	-	-	-	25,490	39,632
-	-	-	-	-	4,039
64	3	401	319	220	2,258
2,311	5,250	-	-	-	9,408
2,375	5,253	401	22,094	282,583	333,985
5,391	1,487	6,199	12,989	-	46,679
-	-	-	1,000	276,585	277,585
5,391	1,487	6,199	13,989	276,585	324,264
(3,016)	3,766	(5,798)	8,105	5,998	9,721
-	-	-	-	-	65,000
(3,016)	3,766	(5,798)	8,105	5,998	74,721
26,887	1,487	62,300	(8,105)	7,605	231,225
23,871	5,253	56,502	-	13,603	305,946

**Schedule 3**

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## O'Brien County

Combining Schedule of Net Position  
Internal Service Funds

June 30, 2016

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
<b>Current Assets</b>			
Cash	\$ 1,301,305	16,425	1,317,730
Investments	850,000	-	850,000
Accrued interest receivable	2,261	-	2,261
<b>Total current assets</b>	2,153,566	16,425	2,169,991
<b>Current Liabilities</b>			
Accounts payable	57,388	-	57,388
<b>Net Position</b>			
Unrestricted	\$ 2,096,178	16,425	2,112,603

See accompanying independent auditor's report.

## O'Brien County

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

Year ended June 30, 2016

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,303,435	-	1,303,435
Reimbursements from others	19,638	-	19,638
Total operating revenues	1,323,073	-	1,323,073
Operating expenses:			
Health claims and administrative services	1,104,267	893	1,105,160
Operating income (loss)	218,806	(893)	217,913
Non-operating revenues:			
Interest income	14,295	-	14,295
Net income (loss)	233,101	(893)	232,208
Net position beginning of year	1,863,077	17,318	1,880,395
Net position end of year	\$ 2,096,178	16,425	2,112,603

See accompanying independent auditor's report.

**O'Brien County**

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

Year ended June 30, 2016

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,303,435	-	1,303,435
Cash received from others	21,793	-	21,793
Cash paid for health claims and administrative services	(1,081,166)	-	(1,081,166)
Cash paid for operating fund reimbursements	-	(893)	(893)
Net cash provided (used) by operating activities	244,062	(893)	243,169
Cash flows from investing activities:			
Interest on investments	13,744	-	13,744
Increase (decrease) in cash and cash equivalents	257,806	(893)	256,913
Cash and cash equivalents beginning of year	1,043,499	17,318	1,060,817
Cash and cash equivalents end of year	\$ 1,301,305	16,425	1,317,730
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 218,806	(893)	217,913
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease in receivables	2,155	-	2,155
Increase in payables	23,101	-	23,101
Net cash provided (used) by operating activities	\$ 244,062	(893)	243,169

See accompanying independent auditor's report.

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

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	3,040	210,539	134,785	7,643
Other County officials	43,551	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	118	157	5,257	302
Succeeding year	-	217,000	280,000	9,703,000	604,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 43,551</b>	<b>220,158</b>	<b>490,696</b>	<b>9,843,042</b>	<b>611,945</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	14,154	220,158	472,175	9,843,042	611,945
Trusts payable	29,397	-	-	-	-
Compensated absences	-	-	18,521	-	-
<b>Total liabilities</b>	<b>\$ 43,551</b>	<b>220,158</b>	<b>490,696</b>	<b>9,843,042</b>	<b>611,945</b>

See accompanying independent auditor's report.



Corporations	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Regional Mental Health	Other	Total
33,869	3,711	404,540	309,460	2,997,297	209,668	4,314,552
-	-	-	-	-	-	43,551
7,607	21	-	-	-	1	13,463
5,819,000	234,000	-	-	-	3,000	16,860,000
-	-	-	10,197	1,116	302	11,615
-	-	-	186	545	-	731
-	-	-	-	-	662,432	662,432
-	-	-	125,012	16,164	-	141,176
5,860,476	237,732	404,540	444,855	3,015,122	875,403	22,047,520
-	-	-	-	163,399	-	163,399
5,860,476	237,732	404,540	444,855	2,851,723	874,502	21,835,302
-	-	-	-	-	-	29,397
-	-	-	-	-	901	19,422
5,860,476	237,732	404,540	444,855	3,015,122	875,403	22,047,520

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2016

<b>Assets and Liabilities</b>	County	Agricultural	County		Community
	Offices	Extension Education	Assessor	Schools	Colleges
Balances beginning of year	\$ 43,196	214,363	454,950	9,663,452	539,857
Additions:					
Property and other county tax	-	218,149	281,398	9,738,035	606,041
E911 surcharge	-	-	-	-	-
State tax credits	-	19,985	26,601	908,359	50,179
Office fees and collections	950,765	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Special assessments	-	-	-	-	-
Trusts	255,981	-	-	-	-
Miscellaneous	-	-	3,194	-	-
Total additions	1,206,746	238,134	311,193	10,646,394	656,220
Deductions:					
Agency remittances:					
To other funds	689,580	-	-	-	-
To other governments	255,963	232,339	275,447	10,466,804	584,132
Trusts paid out	260,848	-	-	-	-
Total deductions	1,206,391	232,339	275,447	10,466,804	584,132
Balances end of year	\$ 43,551	220,158	490,696	9,843,042	611,945

See accompanying independent auditor's report.

Corporations	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Regional Mental Health	Other	Total
5,521,535	226,232	373,632	409,577	1,163,079	896,133	19,506,006
5,778,504	234,473	-	-	-	3,391	16,859,991
-	-	-	176,127	-	-	176,127
853,789	14,569	-	-	-	225	1,873,707
-	-	-	-	-	-	950,765
-	-	4,772,106	-	-	-	4,772,106
-	-	-	-	-	7,885	7,885
-	-	-	-	-	103,918	359,899
-	-	-	103,227	3,326,323	150,517	3,583,261
6,632,293	249,042	4,772,106	279,354	3,326,323	265,936	28,583,741
-	-	158,879	-	-	8	848,467
6,293,352	237,542	4,582,319	244,076	1,474,280	286,658	24,932,912
-	-	-	-	-	-	260,848
6,293,352	237,542	4,741,198	244,076	1,474,280	286,666	26,042,227
5,860,476	237,732	404,540	444,855	3,015,122	875,403	22,047,520

O'Brien County

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

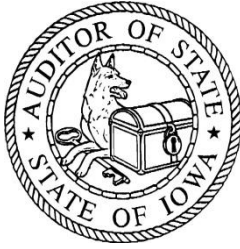
For the Last Ten Years

	2016	2015	2014	2013
<b>Revenues:</b>				
Property and other county tax	\$ 7,070,445	5,647,504	5,643,094	5,507,469
Local option sales tax	571,246	496,833	464,700	501,867
Tax increment financing	21,775	263,343	586,956	597,052
Interest and penalty on property tax	40,146	47,003	37,618	64,261
Intergovernmental	5,308,263	5,018,196	5,650,951	4,726,524
Licenses and permits	272,402	104,028	309,211	112,510
Charges for service	560,990	517,915	557,920	504,716
Use of money and property	217,321	194,059	179,802	177,478
Miscellaneous	173,763	225,334	228,701	193,632
<b>Total</b>	<b>\$ 14,236,351</b>	<b>12,514,215</b>	<b>13,658,953</b>	<b>12,385,509</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,959,086	2,946,246	3,053,886	2,855,852
Physical health and social services	415,653	432,384	425,074	385,576
Mental health	750,298	917,950	951,114	907,760
County environment and education	908,779	858,867	908,450	904,547
Roads and transportation	5,130,878	4,351,451	3,996,617	3,713,831
Governmental services to residents	547,206	522,927	640,455	524,493
Administration	1,340,722	1,174,974	1,282,709	1,058,352
Non-program	30,160	6,958	6,676	6,456
Debt service	277,585	862,618	736,770	2,502,239
Capital projects	686,432	342,107	1,360,912	1,189,761
<b>Total</b>	<b>\$ 13,046,799</b>	<b>12,416,482</b>	<b>13,362,663</b>	<b>14,048,867</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
5,370,568	5,217,546	5,061,082	4,596,836	4,580,718	4,394,292
502,532	549,039	418,232	550,006	567,367	500,479
454,053	277,107	92,439	52,139	-	-
36,263	38,333	40,933	31,568	29,515	25,929
5,439,839	5,638,539	5,086,425	5,316,142	5,427,698	5,010,777
115,771	73,441	7,925	4,050	3,200	2,025
471,117	463,818	480,827	511,611	509,384	455,847
170,412	167,814	170,910	196,765	324,450	292,660
116,155	114,013	167,836	116,706	178,439	182,915
12,676,710	12,539,650	11,526,609	11,375,823	11,620,771	10,864,924
2,744,927	2,629,857	2,578,282	2,720,567	2,623,440	2,506,085
416,749	498,026	498,693	510,089	458,495	413,728
1,928,652	1,689,437	1,538,454	1,866,966	1,954,462	1,790,088
890,612	770,200	712,447	776,160	956,874	553,618
3,533,717	3,608,080	3,282,107	3,347,948	3,294,303	3,187,986
516,709	478,552	478,305	465,164	430,043	408,498
978,377	935,515	860,505	869,095	855,461	834,441
5,944	7,099	5,190	4,942	4,902	7,945
732,305	374,947	377,459	374,721	574,403	363,602
288,466	882,336	232,698	324,506	1,839,258	478,061
12,036,458	11,874,049	10,564,140	11,260,158	12,991,641	10,544,052

**O'Brien County**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of O'Brien County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered O'Brien County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of O'Brien County's internal control. Accordingly, we do not express an opinion on the effectiveness of O'Brien County's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 were not identified. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### O'Brien County's Responses to the Findings

O'Brien County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. O'Brien County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of O'Brien County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

January 24, 2017



O'Brien County

Schedule of Findings

Year ended June 30, 2016

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**(A) SEGREGATION OF DUTIES**

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

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer, Recorder, Assessor, Sheriff and Public Health/Sanitation
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Treasurer, Recorder, Assessor, Sheriff and Public Health/Sanitation
(3) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed periodically by an independent person for propriety.	Treasurer, Recorder and Sheriff
(4) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder

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'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.

O'Brien County

Schedule of Findings

Year ended June 30, 2016

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

Responses:

County Treasurer – We understand the need for internal control but find it difficult to comply with the number of staff we have in the office. We will continue to work on solutions to comply with the recommendations.

County Recorder – With a limited staff, it is hard to segregate duties, but we will try and comply to the best of our ability. In the past year, we have begun having an independent review of our bank reconciliation.

County Sheriff – We will attempt to comply with these current findings as indicated above on report comments. The Chief Deputy will reconcile the check book as he is not a part of the accounting functions.

County Assessor – We will try and comply with the auditors finding, but with a small staff, it will be hard.

County Public Health/Sanitation – We will try to comply with this requirement even though we have a limited number of staff in our department.

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

**(B) FINANCIAL REPORTING**

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

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

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

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

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

O'Brien County

Schedule of Findings

Year ended June 30, 2016

Response – In the past, these expenditures had not been material, but this has now become an issue. We will track these expenditures in the future and make them a part of our financial records.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

O'Brien County  
Schedule of Findings  
Year ended June 30, 2016

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Crystal Egdorf, Daughter of District 4 Foreman	Mowing	\$ 50
Lisa Fischer, Wife of Grader Operator	Mower	200
Junelle Grady, Wife of District 3 Foreman	Mowing	380
Diane Harms, Wife of District 1 Foreman	Mowing	425
Courtney Rehder, Daughter of District 5 Foreman	Mowing	400
Kevin Smith, Husband of County Recorder	Mowing	1,069
Allison Youngers, Daughter of Public Health Nurse	Nursing help	758
Dane Christensen, Bridge Crew Laborer	Stump grinder rental	200
Robert Knowlton, Motor Grader Operator 2	Purchase of metal press	387

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total for each individual did not exceed \$1,500 during the year ended June 30, 2016.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

O'Brien County

Schedule of Findings

Year ended June 30, 2016

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

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

O'Brien County

Staff

This audit was performed by:

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Jesse J. Probasco, CPA, Staff Auditor  
Laura M. Wernimont, Senior Auditor  
Cole L. Hocker, Staff Auditor  
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