



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

March 31, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Guthrie County, Iowa.

The County had local tax revenue of \$22,785,741 for the year ended June 30, 2016, which included \$1,525,274 in tax credits from the state. The County forwarded \$17,917,020 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,868,721 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$1,970,665, operating grants, contributions and restricted interest of \$4,898,099, capital grants, contributions and restricted interest of \$599,641, local option sales tax of \$530,357, unrestricted investment earnings of \$75,253 and other general revenues of \$248,808.

Expenses for County operations for the year ended June 30, 2016 totaled \$12,954,373, a 18.3% increase over the prior year. Expenses included \$6,663,453 for roads and transportation, \$1,625,368 for public safety and legal services and \$1,325,604 for physical health and social services.

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/1610-0039-B00F>.

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GUTHRIE COUNTY

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

JUNE 30, 2016

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Guthrie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerome Caraher	Board of Supervisors	Jan 2017
Mike Dickson	Board of Supervisors	Jan 2017
Clifford Carney	Board of Supervisors	Jan 2019
Everett Grasty	Board of Supervisors	Jan 2019
Tom Rutledge	Board of Supervisors	Jan 2019
Jerri Christman	County Auditor	Jan 2017
Marci Schreck	County Treasurer	Jan 2019
Jacki Sloss	County Recorder	Jan 2019
Marty Arganbright	County Sheriff	Jan 2017
Mary Benton	County Attorney	Jan 2019
Forrest Pearson	County Assessor	(Resigned Mar 2016)
Nikki Carrick (Appointed May 2016)	County Assessor	Jan 2022

Guthrie County



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Independent Auditor's Report

To the Officials of Guthrie 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 Guthrie 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 Guthrie 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 52 through 61 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 Guthrie 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 four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2017 on our consideration of Guthrie 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 Guthrie County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 28, 2017

Guthrie County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased 18.9%, or approximately \$2,099,000, from fiscal year 2015 to fiscal year 2016. Operating grants, contributions and restricted interest increased approximately \$1,290,000, capital grants, contributions and restricted interest increased approximately \$438,000 and charges for services increased approximately \$301,000.
- Program expenses of the County's governmental activities were 18.3%, or approximately \$2,006,000, more in fiscal year 2016 than in fiscal year 2015. Roads and transportation expenses increased approximately \$1,010,000, public safety and legal services increased approximately \$403,000 and administration expenses increased approximately \$360,000.
- The County's net position at June 30, 2016 increased 0.9%, or approximately \$237,000, over the June 30, 2015 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Guthrie 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 Guthrie 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 Guthrie 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 and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

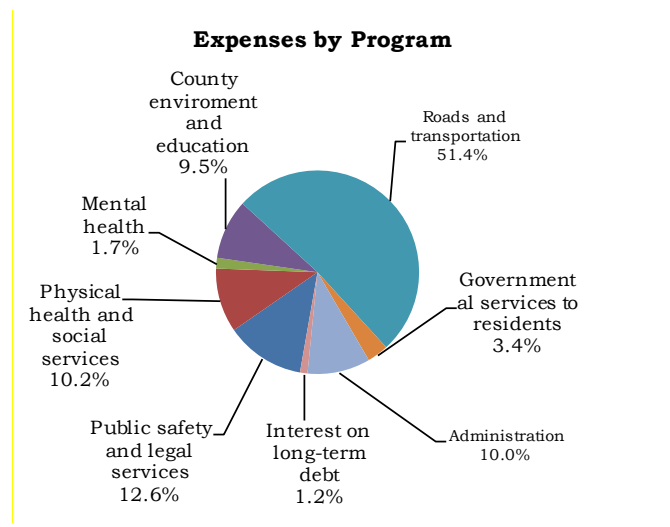
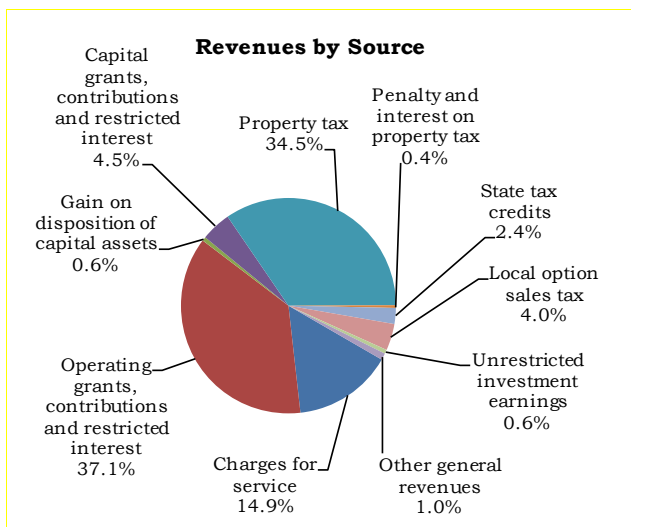
As noted earlier, net position may serve over time as a useful indicator of financial position. Guthrie County's net position increased from approximately \$25.5 million at the end of fiscal year 2015 to approximately \$25.7 million at the end of fiscal year 2016. The analysis that follows focuses on 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	\$ 22,021	25,126
Capital assets	25,646	22,326
Total assets	47,667	47,452
Deferred outflows of resources	499	462
Long-term debt	16,734	16,315
Other liabilities	428	433
Total liabilities	17,162	16,748
Deferred inflows of resources	5,276	5,675
Net position:		
Net investment in capital assets	20,532	21,045
Restricted	5,554	4,989
Unrestricted	(358)	(543)
Total net position	\$ 25,728	25,491

Net position of Guthrie County's governmental activities increased 0.9% (approximately \$25.7 million compared from approximately \$25.5 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from a deficit of approximately \$543,000 at June 30, 2015 to a deficit of approximately \$358,000 at the end of this year, an increase of 34.1%. The deficit is primarily due to recording the net pension liability.

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

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 1,971	1,670
Operating grants, contributions and restricted interest	4,898	3,608
Capital grants, contributions and restricted interest	600	162
General revenues:		
Property tax, including tax increment financing	4,554	4,587
Penalty and interest on property tax	50	45
State tax credits	314	254
Local option sales tax	530	504
Unrestricted investment earnings	75	87
Gain on disposition of capital assets	73	87
Other general revenues	126	88
Total revenues	<u>13,191</u>	<u>11,092</u>
Program expenses:		
Public safety and legal services	1,625	1,222
Physical health and social services	1,326	1,350
Mental health	221	194
County environment and education	1,229	1,171
Roads and transportation	6,663	5,653
Governmental services to residents	441	400
Administration	1,289	929
Non-program	6	5
Interest on long-term debt	154	24
Total expenses	<u>12,954</u>	<u>10,948</u>
Change in net position	237	144
Net position beginning of year	25,491	25,347
Net position end of year	<u>\$ 25,728</u>	<u>25,491</u>



Property tax rates remained steady for fiscal year 2016. Countywide taxable valuations in Guthrie County have increased as follows: from \$650,357,243 in fiscal year 2014 to \$654,811,860 in fiscal year 2015 and \$668,854,582 in fiscal year 2016. Based on increases in the total assessed valuations and a decrease in property tax rates, property tax revenue is budgeted to decrease approximately \$95,000 next year.

The cost of all governmental activities this year was approximately \$12.9 million compared to approximately \$10.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5,486,000 because some of the cost was paid by those directly benefited from the programs (approximately \$1,971,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,498,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2016 from approximately \$5,440,000 to approximately \$7,469,000, primarily due to the increase of receipts related to reimbursements for bridge replacement project expenses, reimbursements for project expenses related to federally declared disasters and an increase in road use taxes.

INDIVIDUAL MAJOR FUND ANALYSIS

As Guthrie County completed the year, its governmental funds reported a combined fund balance of approximately \$16.4 million, a decrease of approximately \$3.4 million from last year's total of approximately \$19.8 million. The decrease in fund balance is primarily attributable to an increase in capital projects expenses of approximately \$2.6 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 \$445,000 compared to the prior year, primarily due to increased intergovernmental revenues. Expenditures increased approximately \$525,000 compared to the prior year, primarily due to an increase in employees in the Sheriff's Department. The ending fund balance increased approximately \$113,000 over the prior year to approximately \$2,908,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues decreased approximately \$325,000 from the prior year, primarily due to the reorganization of mental health services, including the change in the method the State pays for Medicaid reimbursed services. Expenditures totaled approximately \$221,000, an increase of 13.9% from the prior year. The Mental Health Fund balance at year end increased approximately \$1,700 over the prior year to approximately \$815,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$55,000, a 2.3% increase over the prior year, primarily due to an increase in property tax and local option sales tax receipts. Expenditures increased approximately \$21,000 when compared to the prior year. The Rural Services Fund ending fund balance increased approximately \$53,000 over the prior year to approximately \$680,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$1,816,000 compared to the prior year, due primarily to the receipt of miscellaneous revenue compensating the County for damages in fiscal year 2014 and reimbursements for bridge replacement projects. Expenditures increased approximately \$2,085,000, or 47.2%, from the prior year, due primarily to an increase in roadway construction and bridge projects. The Secondary Roads Fund ending balance increased approximately \$352,000, or 13.6%.
- Debt Service Fund revenues increased approximately \$21,000 and expenditures increased approximately \$46,000 when compared to the prior year. The \$1,615,100 Debt Service Fund balance at the end of the year is restricted to pay the E-911 and sewer improvement general obligation bonds.

- During the year ended June 30, 2015, the County issued \$12,000,000 of urban renewal tax increment revenue bonds to help finance the construction, reconstruction and improvement of county roads, bridges and culverts within the urban renewal district. Proceeds of \$5,876,155 have been received and credited to the Capital Projects Fund and a receivable is recorded for \$6,123,845 of bonds issued for which the proceeds have not yet been received. The fund balance is restricted for capital projects, of which expenses totaled \$3,848,257 in fiscal year 2016. The fund balance is large because the related debt is not recorded as a fund liability under the modified accrual basis of accounting.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie County amended its budget one time. The amendment was made in May 2016 and resulted in an increase in budgeted disbursements of \$1,264,632, primarily for increases in public safety and legal services expenses, as well as increases for road and transportation and capital projects expenses for the completion of additional bridge and road projects.

The County’s receipts were \$438,996 more than budgeted. The most significant variance resulted from the County receiving more in road use tax receipts than anticipated.

Total disbursements were \$542,083 more than the amended budget. For the capital projects function, actual disbursements were \$1,658,568 more than budgeted. Actual disbursements for the county environment and education, mental health and administration functions were \$457,530, \$176,063 and \$131,598, respectively, less than budgeted.

Even with the budget amendment, the County exceeded the budgeted amount in the capital project function for the year ended June 30, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Guthrie County had approximately \$25.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,321,000, or 14.9%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 1,378	1,314
Works of art	128	128
Construction in progress	3,771	469
Buildings and improvements	2,169	2,193
Equipment and vehicles	4,031	3,998
Infrastructure	14,169	14,223
Total	\$ 25,646	22,325

The County had depreciation expense of \$1,431,769 in fiscal year 2016 and total accumulated depreciation of \$10,773,082 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, Guthrie County had \$13,566,916 of long-term debt outstanding, compared to \$13,715,000 at June 30, 2015.

Debt decreased as a result of payments made on the general obligation bonds issued on behalf of the South Central Iowa Regional E-911 Service Board, the general obligation sewer improvement bonds and the urban renewal tax increment revenue bonds.

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. Guthrie County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$72 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

Guthrie 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. Unemployment in the County now stands at 3.7% versus 3.3% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 4.9%.

The total taxable valuation for fiscal year 2017 increased 2.1%, or \$13,775,027. The fiscal year 2017 total countywide and total rural services levy rates decreased by \$0.01684 per \$1,000 of taxable valuation from fiscal year 2016. The decrease is attributable to a levy rate decrease for county mental health and disabilities services of \$0.01684 per \$1,000 of taxable valuation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie 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 Guthrie County Auditor's Office, 200 North 5th Street, Guthrie Center, Iowa 50115.

Guthrie County

Basic Financial Statements

Guthrie County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 7,749,224
Held by component units	390,481
Receivables:	
Property tax:	
Delinquent	4,095
Succeeding year	5,017,000
Interest and penalty on property tax	985
Accounts	19,417
Loan	7,738,845
Accrued interest	9,924
Due from other governments	537,509
Inventories	431,994
Prepaid insurance	121,718
Capital assets, net of accumulated depreciation	25,646,447
Total assets	47,667,639
Deferred Outflows of Resources	
Pension related deferred outflows	498,785
Liabilities	
Accounts payable	98,191
Accrued interest payable	3,505
Salaries and benefits payable	241,446
Due to other governments	33,363
Advances from grantors	51,225
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	105,000
Estimated liability for landfill closure and postclosure care	13,110
Compensated absences	257,352
Portion due or payable after one year:	
General obligation bonds	1,510,000
Revenue bonds	11,951,916
Estimated liability for landfill closure and postclosure care	196,650
Compensated absences	33,569
Net pension liability	2,302,403
Net OPEB liability	364,000
Total liabilities	17,161,730
Deferred Inflows of Resources	
Unavailable property tax revenue	5,017,000
Pension related deferred inflows	259,515
Total deferred inflows of resources	5,276,515
Net Position	
Net investment in capital assets	20,532,077
Restricted for:	
Supplemental levy purposes	721,686
Mental health purposes	815,356
Rural services purposes	446,991
Secondary roads purposes	2,889,900
Conservation purpose s	569,680
Other purposes	110,094
Unrestricted	(357,605)
Total net position	\$ 25,728,179

See notes to financial statements.

Guthrie 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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,625,368	293,217	2,510	-	(1,329,641)
Physical health and social services	1,325,604	673,029	327,202	-	(325,373)
Mental health	220,795	96	-	-	(220,699)
County environment and education	1,229,111	600,699	75,722	-	(552,690)
Roads and transportation	6,663,453	157,735	4,492,665	599,641	(1,413,412)
Governmental services to residents	441,347	230,022	-	-	(211,325)
Administration	1,289,277	15,867	-	-	(1,273,410)
Non-program	5,857	-	-	-	(5,857)
Interest on long-term debt	153,561	-	-	-	(153,561)
Total	<u>\$ 12,954,373</u>	<u>1,970,665</u>	<u>4,898,099</u>	<u>599,641</u>	<u>(5,485,968)</u>
General Revenues:					
Property and other county tax levied for general purposes					4,419,032
Tax increment financing					135,304
Penalty and interest on property tax					49,560
State tax credits					314,385
Local option sales tax					530,357
Unrestricted investment earnings					75,253
Gain on disposition of capital assets					72,989
Miscellaneous					126,259
Total general revenues					<u>5,723,139</u>
Change in net position					237,171
Net position beginning of year					<u>25,491,008</u>
Net position end of year					<u>\$ 25,728,179</u>

See notes to financial statements.

Guthrie County
Balance Sheet
Governmental Funds

June 30, 2016

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 2,926,651	827,098	616,564
Held by component units	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	3,087,000	210,000	1,383,000
Interest and penalty on property tax	985	-	-
Accounts	8,591	20	10,266
Loan	-	-	-
Accrued interest	9,924	-	-
Due from other governments	95,865	-	86,813
Inventories	-	-	-
Prepaid insurance	72,924	-	3,089
Total assets	\$ 6,201,940	1,037,118	2,099,732
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 31,294	-	12,782
Salaries and benefits payable	120,698	751	6,529
Due to other governments	1,242	11,011	17,873
Advances from grantors	51,225	-	-
Total liabilities	204,459	11,762	37,184
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	3,087,000	210,000	1,383,000
Other	2,372	-	-
Total deferred inflows of resources	3,089,372	210,000	1,383,000
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	72,924	-	3,089
Restricted for:			
Supplemental levy purposes	753,023	-	-
Mental health purposes	-	815,356	-
Rural services purposes	-	-	666,459
Secondary roads purposes	-	-	-
Drainage warrants	-	-	-
Conservation purposes	47,303	-	-
Capital projects	-	-	-
Debt service	-	-	-
Transfer station closure/postclosure care	-	-	10,000
Other purposes	20,736	-	-
Unassigned	2,014,123	-	-
Total fund balances	2,908,109	815,356	679,548
Total liabilities, deferred inflows of resources and fund balances	\$ 6,201,940	1,037,118	2,099,732

See notes to financial statements.

Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
2,350,412	100	761,785	158,768	7,641,378
-	-	-	390,481	390,481
-	-	-	4,095	4,095
-	-	-	337,000	5,017,000
-	-	-	-	985
233	-	-	307	19,417
-	1,615,000	6,123,845	-	7,738,845
-	-	-	-	9,924
354,831	-	-	-	537,509
431,994	-	-	-	431,994
45,705	-	-	-	121,718
3,183,175	1,615,100	6,885,630	890,651	21,913,346
54,115	-	-	-	98,191
113,468	-	-	-	241,446
3,237	-	-	-	33,363
-	-	-	-	51,225
170,820	-	-	-	424,225
-	-	-	337,000	5,017,000
74,978	-	-	4,095	81,445
74,978	-	-	341,095	5,098,445
431,994	-	-	-	431,994
45,705	-	-	-	121,718
-	-	-	-	753,023
-	-	-	-	815,356
-	-	-	-	666,459
2,459,678	-	-	-	2,459,678
-	-	-	11,000	11,000
-	-	-	522,377	569,680
-	-	6,885,630	-	6,885,630
-	1,615,100	-	-	1,615,100
-	-	-	-	10,000
-	-	-	16,179	36,915
-	-	-	-	2,014,123
2,937,377	1,615,100	6,885,630	549,556	16,390,676
3,183,175	1,615,100	6,885,630	890,651	21,913,346

Guthrie County

Guthrie County

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

June 30, 2016

Total governmental fund balances (page 21) \$ 16,390,676

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 \$36,419,529 and the accumulated depreciation is \$10,773,082. 25,646,447

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. 81,445

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance and prescription benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 107,846

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	\$ 498,785	
Deferred inflows of resources	<u>(259,515)</u>	239,270

Long-term liabilities, including bonds payable, the estimated liability for landfill closure and postclosure care, 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. (16,737,505)

Net position of governmental activities (page 18) \$ 25,728,179

See notes to financial statements.

Guthrie County

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

Year ended June 30, 2016

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,894,953	207,716	1,315,723
Tax increment financing	-	-	-
Local option sales tax	-	-	530,357
Interest and penalty on property tax	50,288	-	-
Intergovernmental	1,352,342	14,677	64,947
Licenses and permits	28,641	-	-
Charges for service	447,446	-	103,543
Use of money and property	72,071	-	-
Miscellaneous	75,504	96	428,628
Total revenues	4,921,245	222,489	2,443,198
Expenditures:			
Operating:			
Public safety and legal services	1,697,345	-	-
Physical health and social services	1,341,910	-	-
Mental health	-	220,795	-
County environment and education	388,346	-	733,157
Roads and transportation	-	-	20,000
Governmental services to residents	439,828	-	-
Administration	883,242	-	-
Non-program	14,941	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,765,612	220,795	753,157
Excess (deficiency) of revenues over (under) expenditures	155,633	1,694	1,690,041
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(42,711)	-	(1,637,217)
Total other financing sources (uses)	(42,711)	-	(1,637,217)
Change in fund balances	112,922	1,694	52,824
Fund balances beginning of year	2,795,187	813,662	626,724
Fund balances end of year	\$ 2,908,109	815,356	679,548

See notes to financial statements.

Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
-	-	-	-	4,418,392
-	-	-	135,304	135,304
-	-	-	-	530,357
-	-	-	-	50,288
5,018,183	-	-	43,989	6,494,138
7,800	-	-	-	36,441
-	-	-	3,063	554,052
974	-	154	3,907	77,106
146,950	43,418	14,000	39,215	747,811
5,173,907	43,418	14,154	225,478	13,043,889
-	-	-	2,430	1,699,775
-	-	-	-	1,341,910
-	-	-	-	220,795
-	-	-	65,688	1,187,191
5,068,141	-	-	-	5,088,141
-	-	-	4,000	443,828
47,315	-	-	-	930,557
-	-	-	-	14,941
-	143,318	-	158,254	301,572
1,386,065	-	3,848,257	-	5,234,322
6,501,521	143,318	3,848,257	230,372	16,463,032
(1,327,614)	(99,900)	(3,834,103)	(4,894)	(3,419,143)
1,679,928	-	-	-	1,679,928
-	-	-	-	(1,679,928)
1,679,928	-	-	-	-
352,314	(99,900)	(3,834,103)	(4,894)	(3,419,143)
2,585,063	1,715,000	10,719,733	554,450	19,809,819
2,937,377	1,615,100	6,885,630	549,556	16,390,676

Guthrie 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) \$ (3,419,143)

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	\$ 4,682,116	
Depreciation expense	<u>(1,431,769)</u>	3,250,347

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. 70,558

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	640	
Other	<u>75,637</u>	76,277

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. 148,084

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. 365,926

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	(19,700)	
Estimated liability for landfill closure and postclosure care	10,730	
Other postemployment benefits	(36,000)	
Pension expense	(210,114)	
Interest on long-term debt	<u>(73)</u>	(255,157)

The Internal Service Fund is used by management to pay the costs of the remaining partial self-funded health insurance claims incurred under the insurance plan which has been discontinued. The change in net position of the Internal Service Fund is reported with governmental activities. 279

Change in net position of governmental activities (page 19) \$ 237,171

See notes to financial statements.

Guthrie County
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 107,846
Liabilities	
None	<u>-</u>
Net Position	
Unrestricted	<u>\$ 107,846</u>

See notes to financial statements.

Guthrie County

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

Year ended June 30, 2016

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Miscellaneous reimbursements	\$ 756
Operating expenses:	
Administrative fees	<u>541</u>
Operating income	215
Non-operating revenues:	
Interest income	<u>64</u>
Net income	279
Net position beginning of year	<u>107,567</u>
Net position end of year	<u><u>\$ 107,846</u></u>

See notes to financial statements.

Guthrie County
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2016

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received for miscellaneous reimbursements	\$ 797
Cash paid to suppliers for services	(541)
Net cash provided by operating activities	256
Cash flows from investing activities:	
Interest on investments	64
Net increase in cash and cash equivalents	320
Cash and cash equivalents beginning of year	107,526
Cash and cash equivalents end of year	\$ 107,846
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 215
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in due from other governments	41
Net cash provided by operating activities	\$ 256

See notes to financial statements.

Guthrie County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,166,880
Other County officials	37,889

Receivables:

Property tax:

Delinquent	5,235
Succeeding year	17,287,000

Accounts	307
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Special assessments	131,449
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Due from other governments	15,963
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Prepaid insurance	12,101
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Total assets	<u>18,656,824</u>
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Liabilities

Accounts payable	18,705
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Salaries and benefits payable	5,385
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Due to other governments	18,597,960
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Trusts payable	32,412
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Compensated absences	2,362
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Total liabilities	<u>18,656,824</u>
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Net Position	<u><u>\$ -</u></u>
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See notes to financial statements.

Guthrie County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

Ten drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Guthrie County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has another drainage district which is managed and supervised by elected trustees. The financial statements for this district are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Guthrie County Auditor's Office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, part of the County. It is reported as a Special Revenue Fund. The Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, part of the County. It is reported as a Special Revenue Fund. The Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

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: Guthrie County Assessor's Conference Board and Guthrie County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

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 often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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 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 non-negotiable certificates of deposit and drainage district stamped warrants, which are stated at 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 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, 1980 (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 a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
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
Improvements other than buildings	20 - 50
Infrastructure	30 - 65
Intangibles	2 - 15
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.

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County but will be spent in succeeding fiscal years.

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, proprietary fund 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 receivable 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 IPERS' 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. Enabling legislation did not result in any restricted fund balances.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the capital projects function and disbursements in two departments exceeded the amount appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County’s deposits in banks at June 30, 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 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	\$ 42,711
	Special Revenue:	
	Rural Services	1,637,217
Total		\$ 1,679,928

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:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,314,199	64,097	-	1,378,296
Works of art	127,765	-	-	127,765
Construction in progress	469,249	3,986,821	(684,455)	3,771,615
Total capital assets not being depreciated	1,911,213	4,050,918	(684,455)	5,277,676
Capital assets being depreciated:				
Buildings	2,690,636	-	-	2,690,636
Improvements other than buildings	1,347,835	85,063	-	1,432,898
Equipment and vehicles	9,041,623	692,096	(296,187)	9,437,532
Infrastructure, road network	16,896,332	684,455	-	17,580,787
Total capital assets being depreciated	29,976,426	1,461,614	(296,187)	31,141,853
Less accumulated depreciation for:				
Buildings	1,552,837	64,236	-	1,617,073
Improvements other than buildings	292,404	45,293	-	337,697
Equipment and vehicles	5,043,911	583,261	(220,784)	5,406,388
Infrastructure, road network	2,672,945	738,979	-	3,411,924
Total accumulated depreciation	9,562,097	1,431,769	(220,784)	10,773,082
Total capital assets being depreciated, net	20,414,329	29,845	(75,403)	20,368,771
Governmental activities capital assets, net	\$ 22,325,542	4,080,763	(759,858)	25,646,447

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 103,125
Physical health and social services	25,448
County environment and education	86,522
Roads and transportation	1,177,861
Administration	38,813
Total depreciation expense - governmental activities	<u>\$ 1,431,769</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	\$ 1,242
Special Revenue:		
Mental Health	Services	11,011
Rural Services	Services	17,873
Secondary Roads	Services	3,237
		<u>32,121</u>
Total for governmental funds		<u>\$ 33,363</u>
Agency:		
County Assessor	Collections	\$ 954,043
Schools		9,251,416
Community Colleges		530,118
Corporations		2,910,310
Townships		2,470,422
Auto License and Use Tax		330,365
County Hospital		1,654,884
All other		496,402
Total for agency funds		<u>\$ 18,597,960</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 E-911 Bonds	General Obligation Sewer Improvement Bonds	Urban Renewal Tax Increment Revenue Bonds	Estimated Liability for Landfill Closure and Postclosure Care	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 990,000	725,000	12,000,000	220,490	271,221	1,780,592	328,000	16,315,303
Increases	-	-	-	-	252,059	521,811	36,000	809,870
Decreases	75,000	25,000	48,084	10,730	232,359	-	-	391,173
Balance end of year	\$ 915,000	700,000	11,951,916	209,760	290,921	2,302,403	364,000	16,734,000
Due within one year	\$ 75,000	30,000	-	13,110	257,352	-	-	375,462

General Obligation E-911 Bonds

In February 2012, the County issued general obligation E-911 bonds on behalf of the South Central Iowa Regional E-911 Service Board for acquisition of equipment. Details of the County's June 30, 2016 general obligation E-911 bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	1.45%	\$ 75,000	20,583	95,583
2018	1.45	75,000	19,495	94,495
2019	1.80	80,000	18,408	98,408
2020	1.80	80,000	16,967	96,967
2021	2.15	80,000	15,528	95,528
2022-2026	2.15-2.85	430,000	48,967	478,967
2027	2.85	95,000	2,708	97,708
Total		\$ 915,000	142,656	1,057,656

The South Central Regional E-911 Service Board has agreed to pay the County the principal and interest on the general obligation bonds as they come due. The County reports a loan receivable equal to the principal outstanding on the general obligation E-911 bonds in the Debt Service Fund.

General Obligation Sewer Improvement Bonds

In June 2015, the County issued general obligation sewer improvement bonds on behalf of the Diamondhead Sanitary District for constructing a lift station at Diamondhead Lake. Details of the County's June 30, 2016 general obligation sewer improvement bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	1.75%	\$ 30,000	21,482	51,482
2018	1.75	30,000	20,958	50,958
2019	1.75	30,000	20,432	50,432
2020	1.75	30,000	19,908	49,908
2021	2.55	30,000	19,383	49,383
2022-2026	2.55-3.25	170,000	84,672	254,672
2027-2031	3.25-4.00	195,000	57,837	252,837
2032-2035	4.00	185,000	18,800	203,800
Total		\$ 700,000	263,472	963,472

The Diamondhead Sanitary District has agreed to pay the County the principal and interest on the general obligation bonds as they come due. The County reports a loan receivable equal to the principal outstanding on the general obligation sewer improvement bonds in the Debt Service Fund.

Urban Renewal Tax Increment Revenue Bonds

On August 6, 2014, the County entered into an agreement with the Guthrie County State Bank for the issuance of up to \$12,000,000 of urban renewal tax increment (TIF) revenue bonds for the construction, reconstruction and improvement of County roads, bridges and culverts within the urban renewal district. The County will draw down funds from the Guthrie County State Bank upon request to reimburse the County for costs as they are incurred. The bonds bear interest at 4.25% per annum. Final repayment schedules will not be adopted until the County has drawn the lesser of total project costs or the authorized amount of the bonds.

The bonds are payable solely from the tax increment financing (TIF) receipts, generated by increased property values in the County's TIF district, and are credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. As of June 30, 2016, \$5,876,155 has been advanced to the County. For the current year, principal and interest paid and total TIF revenues were \$158,254 and \$135,304, respectively.

The closing date on the TIF revenue bonds was prior to June 30, 2016. Accordingly, a receivable of \$6,123,845 is reported as of the closing date as prescribed by U.S. generally accepted accounting principles. This amount is included in the Statement of Net Position as loan receivable.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned on or after 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 6.76% 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 \$365,926.

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 \$2,302,403 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 0.046603%, which was an increase of 0.001705% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$210,114. 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	\$ 34,715	15,413
Changes of assumptions	63,261	10,651
Net difference between projected and actual earnings on IPERS' investments	-	231,583
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	34,883	1,868
County contributions subsequent to the measurement date	365,926	-
Total	\$ 498,785	259,515

\$365,926 reported as deferred outflows of resources related to pensions resulting from the 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	\$ (82,875)
2018	(82,875)
2019	(82,875)
2020	119,812
2021	2,157
Total	\$ (126,656)

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 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:	\$ 4,385,906	2,302,403	544,983

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

Payables to IPERS – At June 30, 2016, the County reported payables to IPERS of \$30,153 for legally required employer contributions and \$21,258 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 85 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Employee Benefit Systems. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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 which, 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	\$ 43,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(15,000)</u>
Annual OPEB cost	36,000
Contributions made	<u>–</u>
Increase in net OPEB obligation	36,000
Net OPEB obligation beginning of year	<u>328,000</u>
Net OPEB obligation end of year	<u>\$ 364,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 and plan members eligible for benefits did not contribute to the medical plan.

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:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 57,000	0%	\$ 270,000
2015	58,000	0	328,000
2016	36,000	0	364,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$342,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$342,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,587,000 and the ratio of the UAAL to covered payroll was 9.5%. 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, 2015 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP 2000 Annuity Mortality Table, projected to 2015, and applied on a 2/3 female, 1/3 male basis.

Projected claim costs of the medical plan are \$530 per month for retirees less than age 65. All coverage ceases when the retiree attains age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The actuary made no payroll assumptions as to the future because benefits are not payroll related. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Landfill Closure and Postclosure Care

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

Governmental Accounting Standards Board Statement No. 18, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deletion, technology, or applicable laws or regulations.

The total costs for the County have been estimated at \$209,760 as of June 30, 2016, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100% of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

To comply with state regulations, the County is required to completed a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the County is required to maintain a closure account as financial assurance for the closure costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station.

As of June 30, 2016, the total closure costs for the transfer station have been estimated at \$9,723 and the County has restricted \$10,000 in a closure account included in the Special Revenue, Rural Services Fund to cover any possible closure and postclosure care costs for the transfer station.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$206,515.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of the risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance and prescription benefit plan. This plan was modified on January 1, 2011 to be a partial self-funded plan only. The plan which was funded by both employee and County contributions in prior years is administered through a service agreement with Employee Benefit Systems, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$750 for single and \$1,500 for family) and the County deductible on the policy (\$2,000 for single and \$4,000 for family) for the health plan.

Funds remaining in the Employee Group Health Fund will be used to pay outstanding claims from the previous insurance plan. The County had an unrestricted net position of \$107,846 at June 30, 2016 in the Employee Group Health Fund to cover future claims. The cash balance held by Employee Benefit Systems, Inc. was \$20,736 at June 30, 2016.

(12) Guthrie County Financial Information Included in the Heart of Iowa Mental Health Region

Heart of Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Audubon County, Dallas County, Greene County and Guthrie County. The financial activity of Guthrie County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Mental Health Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 207,716
Intergovernmental revenues:		
State tax credits	\$ 14,649	
Other	28	14,677
Miscellaneous		96
Total revenues		<u>222,489</u>
Expenditures:		
Services to persons with mental illness		82,809
General administration:		
Direct administration	53,935	
Purchased administration	2,131	
Distribution to regional fiscal agent	81,920	137,986
Total expenditures		<u>220,795</u>
Excess of revenues over expenditures		1,694
Fund balance beginning of year		<u>813,662</u>
Fund balance end of year		<u>\$ 815,356</u>

Required Supplementary Information

Guthrie 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
Receipts:			
Property and other county tax	\$ 5,080,539	-	5,080,539
Interest and penalty on property tax	50,288	-	50,288
Intergovernmental	6,643,517	-	6,643,517
Licenses and permits	37,078	-	37,078
Charges for service	497,287	-	497,287
Use of money and property	140,686	16,487	124,199
Miscellaneous	631,158	25,781	605,377
Total receipts	13,080,553	42,268	13,038,285
Disbursements:			
Public safety and legal services	1,649,373	-	1,649,373
Physical health and social services	1,340,137	-	1,340,137
Mental health	216,485	-	216,485
County environment and education	1,196,125	65,688	1,130,437
Roads and transportation	4,581,163	-	4,581,163
Governmental services to residents	442,771	-	442,771
Administration	902,223	-	902,223
Non-program	14,941	-	14,941
Debt service	301,571	-	301,571
Capital projects	5,278,568	-	5,278,568
Total disbursements	15,923,357	65,688	15,857,669
Excess (deficiency) of receipts over (under) disbursements	(2,842,804)	(23,420)	(2,819,384)
Other financing sources, net	4,511,028	-	4,511,028
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,668,224	(23,420)	1,691,644
Balance beginning of year	6,363,635	424,901	5,938,734
Balance end of year	\$ 8,031,859	401,481	7,630,378

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	<u>Net</u>
		<u>Variance</u>
5,088,448	5,088,448	(7,909)
37,000	37,000	13,288
5,098,056	6,288,290	355,227
23,100	23,100	13,978
610,310	610,310	(113,023)
92,966	105,966	18,233
446,175	446,175	159,202
<u>11,396,055</u>	<u>12,599,289</u>	<u>438,996</u>
1,504,880	1,737,964	88,591
1,461,426	1,461,426	121,289
310,548	310,548	94,063
1,396,995	1,307,369	176,932
4,668,693	5,038,693	457,530
431,626	461,415	18,644
1,033,821	1,033,821	131,598
20,000	20,000	5,059
278,834	325,219	23,648
2,945,000	3,620,000	(1,658,568)
<u>14,051,823</u>	<u>15,316,455</u>	<u>(541,214)</u>
(2,655,768)	(2,717,166)	(102,218)
<u>2,000,500</u>	<u>2,046,885</u>	<u>2,464,143</u>
(655,268)	(670,281)	2,361,925
<u>5,055,834</u>	<u>5,055,834</u>	<u>882,900</u>
<u>4,400,566</u>	<u>4,385,553</u>	<u>3,244,825</u>

Guthrie 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	\$ 13,080,553	(36,664)	13,043,889
Expenditures	15,923,357	(539,675)	16,463,032
Net	(2,842,804)	2,842,804	(3,419,143)
Other financing sources, net	4,511,028	(4,511,028)	-
Beginning fund balances	6,363,635	13,446,184	19,809,819
Ending fund balances	<u>\$ 8,031,859</u>	<u>11,777,960</u>	<u>16,390,676</u>

See accompanying independent auditor's report.

Guthrie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,264,632. 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 and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the capital projects function and disbursements exceeded the amounts appropriated in two departments.

Guthrie County

Guthrie 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	0.046603%	0.044898%
County's proportionate share of the net pension liability	\$ 2,302	1,781
County's covered-employee payroll	\$ 3,742	3,609
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.52%	49.35%
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.

Guthrie County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014
Statutorily required contribution	\$ 366	340	328
Contributions in relation to the statutorily required contribution	(366)	(340)	(328)
Contribution deficiency (excess)	\$ -	-	-
County's covered-employee payroll	\$ 4,020	3,742	3,609
Contributions as a percentage of covered-employee payroll	9.10%	9.09%	9.09%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

2013	2012	2011	2010	2009
309	284	246	241	222
(309)	(284)	(246)	(241)	(222)
-	-	-	-	-
3,441	3,405	3,367	3,496	3,381
8.98%	8.34%	7.31%	6.89%	6.57%

Guthrie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

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

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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Guthrie 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)
2010	Jul 1, 2009	-	\$ 398	398	0.0%	\$ 2,944	13.5%
2011	Jul 1, 2009	-	398	398	0.0	2,832	14.1
2012	Jul 1, 2009	-	377	377	0.0	2,933	12.9
2013	Jul 1, 2012	-	468	468	0.0	2,899	16.1
2014	Jul 1, 2012	-	436	436	0.0	3,206	13.6
2015	Jul 1, 2012	-	436	436	0.0	3,408	12.8
2016	Jul 1, 2015	-	342	342	0.0	3,587	9.5

See Note 8 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.

Guthrie County

Supplementary Information

Guthrie County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection	Special Attorney Seized Property
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 4,658	11,000	131,896	1,961
Held by component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	307	-	-	-
Total assets	\$ 4,965	11,000	131,896	1,961
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
None	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Drainage warrants	-	11,000	-	-
Conservation purposes	-	-	131,896	-
Other purposes	4,965	-	-	1,961
Total fund balances	4,965	11,000	131,896	1,961
Total liabilities, deferred inflows of resources and fund balances	\$ 4,965	11,000	131,896	1,961

See accompanying independent auditor's report.

Revenue				
Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Total
1,339	7,914	-	-	158,768
-	-	347,241	43,240	390,481
-	4,095	-	-	4,095
-	337,000	-	-	337,000
-	-	-	-	307
1,339	349,009	347,241	43,240	890,651
-	-	-	-	-
-	337,000	-	-	337,000
-	4,095	-	-	4,095
-	341,095	-	-	341,095
-	-	-	-	11,000
-	-	347,241	43,240	522,377
1,339	7,914	-	-	16,179
1,339	7,914	347,241	43,240	549,556
1,339	349,009	347,241	43,240	890,651

Guthrie County

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

Year ended June 30, 2016

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection	Special Attorney Seized Property
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	-	-	13,125	-
Charges for service	3,063	-	-	-
Use of money and property	1	-	20	-
Miscellaneous	-	-	-	473
Total revenues	3,064	-	13,145	473
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	869	-	-
Governmental services to residents	4,000	-	-	-
Debt service	-	-	-	-
Total expenditures	4,000	869	-	-
Excess (deficiency) of revenues over (under) expenditures	(936)	(869)	13,145	473
Fund balances beginning of year	5,901	11,869	118,751	1,488
Fund balances end of year	\$ 4,965	11,000	131,896	1,961

See accompanying independent auditor's report.

Revenue				
Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Total
-	135,304	-	-	135,304
-	30,864	-	-	43,989
-	-	-	-	3,063
-	-	3,643	243	3,907
360	-	16,244	22,138	39,215
360	166,168	19,887	22,381	225,478
2,430	-	-	-	2,430
-	-	22,045	42,774	65,688
-	-	-	-	4,000
-	158,254	-	-	158,254
2,430	158,254	22,045	42,774	230,372
(2,070)	7,914	(2,158)	(20,393)	(4,894)
3,409	-	349,399	63,633	554,450
1,339	7,914	347,241	43,240	549,556

Guthrie County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,464	543,637	77,416	34,725
Other County officials	37,889	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	4,393
Succeeding year	-	204,000	408,000	9,174,000	491,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	10,539	-	-
Total assets	\$ 37,889	206,464	962,176	9,251,416	530,118
Liabilities					
Liabilities:					
Accounts payable	\$ 14,096	-	1,439	-	-
Salaries and benefits payable	-	-	4,332	-	-
Due to other governments	14,646	206,464	954,043	9,251,416	530,118
Trusts payable	9,147	-	-	-	-
Compensated absences	-	-	2,362	-	-
Total liabilities	\$ 37,889	206,464	962,176	9,251,416	530,118

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
43,310	17,580	330,365	117,383	1,166,880
-	-	-	-	37,889
-	842	-	-	5,235
2,867,000	2,452,000	-	1,691,000	17,287,000
-	-	-	307	307
-	-	-	131,449	131,449
-	-	-	15,963	15,963
-	-	-	1,562	12,101
<u>2,910,310</u>	<u>2,470,422</u>	<u>330,365</u>	<u>1,957,664</u>	<u>18,656,824</u>
-	-	-	3,170	18,705
-	-	-	1,053	5,385
2,910,310	2,470,422	330,365	1,930,176	18,597,960
-	-	-	23,265	32,412
-	-	-	-	2,362
<u>2,910,310</u>	<u>2,470,422</u>	<u>330,365</u>	<u>1,957,664</u>	<u>18,656,824</u>

Guthrie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 25,214	202,058	942,405	8,913,059
Additions:				
Property and other county tax	-	194,894	389,759	8,779,602
State tax credits	-	13,494	26,988	579,229
Drivers license fees	-	-	-	-
Office fees and collections	388,191	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	93,645	-	-	-
Miscellaneous	-	-	2,336	-
Total additions	481,836	208,388	419,083	9,358,831
Deductions:				
Agency remittances:				
To other funds	165,933	-	-	-
To other governments	208,881	203,982	399,312	9,020,474
Trusts paid out	94,347	-	-	-
Total deductions	469,161	203,982	399,312	9,020,474
Balances end of year	\$ 37,889	206,464	962,176	9,251,416

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
489,366	2,687,106	2,868,511	338,587	1,990,198	18,456,504
470,308	2,545,228	2,342,305	-	1,615,035	16,337,131
30,395	392,457	57,589	-	110,737	1,210,889
-	-	-	52,135	-	52,135
-	-	-	-	3,346	391,537
-	-	-	3,830,990	-	3,830,990
-	-	-	-	65,291	65,291
-	-	-	-	216,155	309,800
-	-	-	-	88,023	90,359
500,703	2,937,685	2,399,894	3,883,125	2,098,587	22,288,132
-	-	-	111,913	-	277,846
459,951	2,714,481	2,797,983	3,779,434	2,131,121	21,715,619
-	-	-	-	-	94,347
459,951	2,714,481	2,797,983	3,891,347	2,131,121	22,087,812
530,118	2,910,310	2,470,422	330,365	1,957,664	18,656,824

Guthrie County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	\$ 4,418,392	4,586,285	4,429,125	4,335,067
Tax increment financing	135,304	-	-	-
Local option sales tax	530,357	504,511	498,415	561,385
Interest and penalty on property tax	50,288	44,699	49,047	36,341
Intergovernmental	6,494,138	4,499,604	4,466,851	4,405,487
Licenses and permits	36,441	27,277	31,704	36,984
Charges for service	554,052	435,197	541,214	472,846
Use of money and property	77,106	108,109	99,321	110,187
Miscellaneous	747,811	657,061	548,971	1,655,991
Total	<u>\$ 13,043,889</u>	<u>10,862,743</u>	<u>10,664,648</u>	<u>11,614,288</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,699,775	1,242,327	1,190,718	1,159,338
Physical health and social services	1,341,910	1,324,009	1,298,228	1,182,182
Mental health	220,795	193,919	213,092	304,595
County environment and education	1,187,191	1,149,952	1,190,396	1,090,511
Roads and transportation	5,088,141	4,148,555	5,195,687	4,597,880
Governmental services to residents	443,828	406,891	377,838	356,534
Administration	930,557	925,966	907,134	1,000,813
Non-program	14,941	-	26,705	14,566
Debt service	301,572	97,683	98,070	132,930
Capital projects	5,234,322	1,534,683	1,296,524	78,226
Total	<u>\$ 16,463,032</u>	<u>11,023,985</u>	<u>11,794,392</u>	<u>9,917,575</u>

See accompanying independent auditor's report.

Modified Accrual Basis						
2012	2011	2010	2009	2008	2007	
4,232,348	4,189,632	3,413,878	3,303,593	3,381,781	3,195,545	
-	-	-	-	-	-	
525,498	447,849	448,510	464,280	446,866	606,514	
44,506	49,783	44,792	40,657	36,273	36,024	
4,806,612	5,696,343	5,650,942	5,001,927	5,395,127	4,321,738	
42,174	40,177	24,088	30,886	42,774	34,663	
491,693	498,294	451,948	418,793	437,255	454,336	
114,732	113,871	167,834	247,883	423,562	402,778	
632,565	653,706	517,411	473,736	563,734	519,389	
10,890,128	11,689,655	10,719,403	9,981,755	10,727,372	9,570,987	
1,050,787	1,043,756	1,074,377	1,061,471	969,016	943,937	
1,151,263	1,127,994	1,135,273	1,083,768	1,101,428	1,047,736	
1,392,632	1,136,658	970,036	1,246,897	1,275,031	1,280,659	
1,096,408	1,151,976	1,732,462	1,218,400	1,508,011	1,111,342	
4,733,890	3,765,347	4,161,153	4,782,064	4,024,581	3,330,808	
337,121	331,458	384,677	373,087	346,458	388,895	
855,899	966,037	1,269,162	959,656	915,903	907,689	
-	14,452	-	77,143	12,300	-	
480,893	444,997	434,994	361,960	393,805	365,204	
251,293	823,209	547,778	648,233	183,543	58,503	
11,350,186	10,805,884	11,709,912	11,812,679	10,730,076	9,434,773	

Guthrie 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 Guthrie 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 Guthrie 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 March 28, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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


Guthrie County's Responses to the Findings

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

March 28, 2017

Guthrie 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:

	<u>Applicable Offices</u>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder, Treasurer, Engineer, Transfer Station/Landfill
(2) An initial list of checks and money received is not prepared by the person opening the mail. An initial list of checks and money received should be prepared and compared with the cash receipts records and the bank deposit by a person not preparing the list or involved in maintaining the accounting records.	Recorder, Treasurer, Engineer, Transfer Station/Landfill and Sheriff
(3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. A reconciliation should be prepared promptly at the end of each month and should be reviewed by an independent person, with the review being documented by the signature or initials of the reviewer and the date of the review.	Recorder, Sheriff’s Commissary Account, Treasurer and Sheriff
(4) Checks or warrants are not signed by an individual who does not approve disbursements, record cash receipts or prepare checks.	Recorder and Sheriff’s Commissary Account
(5) The responsibility for the change fund is not assigned to only one person.	Recorder and Treasurer
(6) The individual responsible for the detailed record keeping of investments should not be the custodian of the investments.	Treasurer

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

Guthrie County

Schedule of Findings

Year ended June 30, 2016

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.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of the 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. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Recorder – We will try to segregate duties better.

Sheriff – Sheriff’s office account will be done monthly and reviewed by a Deputy Sheriff, as he does not have any actions with the Sheriff’s office account. Upon review, he will initial off and date the review.

Sheriff Commissary Account – The commissary account will be done monthly and reviewed by the Sheriff, as he will not be doing any actions with the commissary account.

Treasurer – Segregation of duties is very hard in a small office because it takes all five of us to do the work. Unfortunately there isn’t someone that can open the mail and write everything down that doesn’t touch the money, but we do take turns opening the mail.

All of us have to sign checks and record cash in the office which makes it impossible for an individual to reconcile bank statements that does not have the authority to do this; however, we take turns reconciling the statements and reviewing them.

We are a small office that operates one cash drawer; however, we take turns counting the money out at the end of the day and have to balance with the money collected in cash receipting. Also, whoever gets the deposit ready has someone else look over the deposit and sign off on it.

I am the custodian of the County investments, but they are in our vault and if interest checks come in either one of my staff or I record it.

Engineer – As there are a limited number of employees in the office and frequent needs to be addressed outside the office, consistent daily segregation of duties as described above is not feasible. The County does offer another method that is utilized where a second person performs a review and initials all receipts incoming and reviews and initials all receipts returning from the Treasurer’s Office.

Guthrie County

Schedule of Findings

Year ended June 30, 2016

Transfer Station/Landfill – Because we have only one employee at this remote site, it is not possible for a second person to be responsible for mail opening and documenting checks separately. As a result, the same person is responsible for doing the billing and payment documents plus bringing the deposits to the County Treasurer’s office. It is realized that this is not the best arrangement but it is the only practical method at this time.

Conclusions – Responses acknowledged. For those offices with limited staff, County personnel from other offices could be used to provide additional control through review of financial transactions. Also, the reviews performed by an independent person should be documented by the signature or initials of the reviewer and the date of the review.

(B) Buy Money

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and performing cash counts.

Condition – No cash counts are performed on the drug buy and tobacco buy money. The fund logs are not used and the movement of cash to and from the fund is not properly tracked.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure cash counts are performed.

Effect – Inadequate accounting records and a lack of cash counts can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Cash counts of drug buy and tobacco buy money should be performed. A log should be used to track the movement of cash to and from the fund.

Response – I am currently keeping track of the drug buy and tobacco money.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Guthrie 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 exceeded the amount budgeted in the capital projects function. Also, disbursements exceeded the amounts appropriated in two departments and exceeded the amount appropriated prior to a budget amendment for one department.

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

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

Response – Department heads are given monthly budget reports and it is their responsibility to follow their budget and if amendments are needed they are to submit that information to the Auditor’s Office.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Cheryl Jensen, employee, Spouse is owner of Jensen’s Sanitation	Garbage pickup	\$ 4,146
Jacki Sloss, employee, In-laws own Sloss Lawn Care	Mowing	6,240

The transactions with Sloss Lawn Care do not represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since they were competitively bid.

The transactions with Jensen’s Sanitation may represent a conflict of interest as defined in Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were greater than \$1,500 during the year ended June 30, 2016 and the transactions were not competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Guthrie County

Schedule of Findings

Year ended June 30, 2016

Response – Jacki Sloss is no longer an employee of the County. The Conservation Department uses Jensen Sanitation. It has been brought to that department’s attention. Since the department has a separate board it would be up to that board to go out for bid on sanitation services.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 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.
- (11) Capital Lease – The County did not properly authorize a capital lease for a vehicle for the Sheriff’s office in accordance with Chapter 331.301(10)(e) of the Code of Iowa.

Recommendation – The County should hold ensure all capital leases entered into follow the procedures identified in Chapter 331.301(10)(e) of the Code of Iowa.

Response – When the Auditor’s office became aware of this lease the State Auditors and the Guthrie County Attorney’s office was contacted to see what steps needed to be taken. A board member had signed off on the document but it had not come to the full board and a public hearing had not been held. The lease was cancelled and the vehicle was paid for in full.

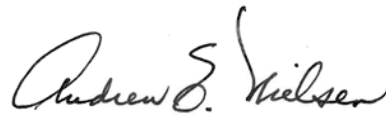
Conclusion – Response accepted.

Guthrie County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Christian E. Cottingham, Staff Auditor
Premnarayan Gobin, Staff Auditor
Cody J. Pifer, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State