

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

May 26, 2017

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$19,622,467 for the year ended June 30, 2016, which included \$1,725,784 in tax credits from the state. The County forwarded \$14,119,836 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,502,631 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$868,590, operating grants, contributions and restricted interest of \$6,201,949, capital grants, contributions and restricted interest of \$477,003, tax increment financing of \$308,591, local option sales tax of \$451,896, unrestricted investment earnings of \$20,183 and other general revenues of \$274,243 .

Expenses for County operations for the year ended June 30, 2016 totaled \$12,996,279, a 20% decrease from the prior year. Expenses included \$3,763,802 for county environment and education, \$4,341,348 for roads and transportation and \$1,635,820 for public safety and legal services.

The decrease in expenses is due primarily to the decrease in the disbursement of Community Development Block grant proceeds to various cities.

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 Office of Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0088-B00F>.

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

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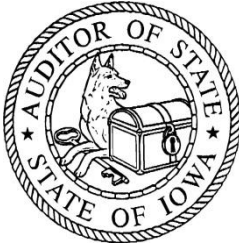
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**Union County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Brown	Board of Supervisors	Jan 2017
Lois Monday	Board of Supervisors	Jan 2017
Ron Riley	Board of Supervisors	Jan 2019
Sandy Hysell	County Auditor	Jan 2017
Kelly Busch	County Treasurer	Jan 2019
Paula White	County Recorder	Jan 2019
Rick L. Piel	County Sheriff	Jan 2017
Timothy R. Kenyon	County Attorney	Jan 2019
Theresa Pudenz	County Assessor	Jan 2022

**Union County**



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Independent Auditor's Report

To the Officials of Union 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 Union 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 Union 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 55 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union 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 six years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the three years ended June 30, 2009 (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 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 May 17, 2017 on our consideration of Union 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 Union County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

May 17, 2017

**Union County**

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

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Union 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 along with comparative data for the year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 29%, or approximately \$5,856,000, from fiscal year 2015 to fiscal year 2016. Property and other county tax decreased approximately \$122,000 from fiscal year 2015. Operating grants, contributions and restricted interest decreased approximately \$3,518,000, charges for service increased approximately \$84,000 and capital grants, contributions and restricted interest decreased approximately \$2,180,000. There was a significant decrease in Community Development Block Grant funds received as well as a decrease in the amount of capital assets contributed by the Iowa Department of Transportation.
- Program expenses of the County's governmental activities decreased 20%, or approximately \$3,204,000. The largest decrease was in the county environment and education function, which decreased approximately \$2,908,000 in fiscal year 2016 from fiscal year 2015 due to a significant decline in Community Development Block Grant funds received and passed through to various cities.
- The County's net position at June 30, 2016 increased approximately \$1,109,000 or 10%, from 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 Union 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 Union 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 Union County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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. Therefore, 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 government 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) The 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. The fiduciary funds include Agency Funds that account for Prairie Solid Waste Agency 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. Union County's combined net position increased from approximately \$11 million to approximately \$11.8 million. The analysis below shows the changes in the net position of governmental activities from a year ago.

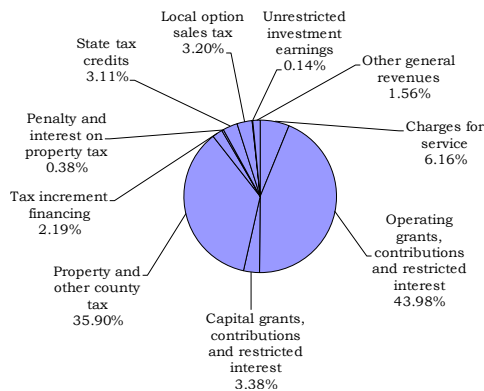
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 10,739	11,128
Capital assets	16,065	16,024
Total assets	26,804	27,152
Deferred outflows of resources	438	338
Long-term liabilities	9,420	10,165
Other liabilities	643	632
Total liabilities	10,063	10,797
Deferred inflows of resources	5,414	6,037
Net position:		
Net investment in capital assets	10,205	8,952
Restricted	2,661	3,005
Unrestricted	(1,101)	(1,301)
Total net position	\$ 11,765	10,656

Net position of Union County's governmental activities increased 10%, or approximately \$1,109,000, during the year. The largest portion of the County's net position is invested in capital assets (e.g. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit of approximately \$1,301,000 at June 30, 2015 to a deficit of approximately \$1,101,000 at the end of this year, an increase of 15%.

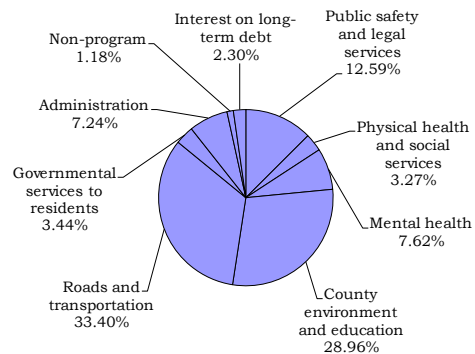
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 869	785
Operating grants, contributions and restricted interest	6,202	9,720
Capital grants, contributions and restricted interest	477	2,657
General revenues:		
Property and other county tax	5,064	5,186
Tax increment financing	309	289
Penalty and interest on property tax	54	74
State tax credits	438	372
Local option sales tax	452	587
Unrestricted investment earnings	20	26
Other general revenues	220	265
Total revenues	14,105	19,961
Program expenses:		
Public safety and legal services	1,636	1,639
Physical health and social services	425	439
Mental health	990	1,201
County environment and education	3,764	6,672
Roads and transportation	4,341	4,277
Governmental services to residents	447	479
Administration	941	1,029
Non-program	153	137
Interest on long-term debt	299	327
Total expenses	12,996	16,200
Change in net position	1,109	3,761
Net position beginning of year restated	10,656	6,895
Net position end of year	\$ 11,765	10,656

**Revenues by Source**



**Expenses by Program**



Overall, revenues decreased approximately \$5,856,000, or 29%, during the year. The decrease is primarily due to a decrease in operating grants, contributions and restricted interest related to the Community Development Block Grant (CDBG) funds as well as a reduction in the amount of capital assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$13 million compared to approximately \$16.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$869,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,679,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2016 from approximately \$13,162,000 to approximately \$7,548,000, principally due to receiving less CDBG funds which were passed through the County from the Iowa Economic Development Authority to various cities for CDBG projects. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Union County completed the year, its governmental funds reported a combined fund balance of approximately \$4.5 million compared to approximately \$4.8 million at June 30, 2015, a decrease of approximately \$299,000.

- The General Fund, the operating fund for Union County, ended fiscal year 2016 with a balance of \$1,269,053, an increase of \$163,616 from the fiscal year 2015 ending balance of \$1,105,437. The increase was primarily due to a decline in transfers out being made to the Secondary Roads Fund, between fiscal year 2015 and 2016.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end decreased \$419,420, from a fund balance of \$461,135 to \$41,715. The decrease in fund balance is the result of the County moving the financial activity of the Southern Hills Regional Mental Health which was previously accounted for in the Special Revenue, Mental Health Fund into an Agency Fund. During fiscal year 2016, the County utilized the Special Revenue, Mental Health Fund for the collecting and distribution of property taxes to the Southern Hills Regional Mental Health Agency fund.
- The Special Revenue, Rural Services Fund ending fund balance decreased \$14,015, or 7.2%, from the prior year to \$181,505.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a \$755,295 fund balance, a decrease of \$91,116 compared to the prior year ending fund balance of \$846,411. The fund balance decrease was due, in part, to a significant decrease in transfers in of approximately \$167,000.
- The Debt Service Fund balance increased slightly from \$1,760,260 at the end of fiscal year 2015 to \$1,789,009 at the end of fiscal year 2016. The fund balance increased as a result of a decrease in debt service payments of approximately \$60,000 coupled with a decrease in Debt Service Fund revenues of approximately \$46,900. The end of year fund balance includes \$867,719 due from Prairie Solid Waste Agency to repay the County for general obligation solid waste disposal notes issued for the Agency.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget two times. The amendments were made in December 2015 and May 2016 and resulted in an increase in budgeted disbursements related to a Community Development Block Grant (CDBG) received from the State of Iowa and for roads and transportation projects. This CDBG grant was passed through to various Cities.

The County's receipts were \$639,867 less than budgeted, a variance of 4.6%. The most significant variance resulted from intergovernmental revenues being less than expected.

Total disbursements were \$1,267,551 less than the amended budget. The most significant variances resulted from county environment and education as well as roads and transportation disbursements being less than expected. Even with the budget amendments, the County exceeded the budgeted amounts in the capital projects function for the year ended June 30, 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, Union County had approximately \$16 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$42,000, less than a 1% increase from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 254	254
Construction in progress, road network	-	23
Buildings	707	744
Improvements other than buildings	18	20
Equipment and vehicles	1,402	1,501
Infrastructure	13,685	13,482
Total	\$ 16,066	16,024

This year's major addition was infrastructure costing approximately \$898,200.

Union County had depreciation expense of \$1,018,995 for fiscal year 2016 and total accumulated depreciation of \$9,655,326 at June 30, 2016. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2016, Union County had approximately \$6,831,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$8,112,000 at June 30, 2015, as shown below:

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2016	2015
Capital lease purchase agreements	\$ 270	362
General obligation bonds	5,510	6,590
General obligation solid waste disposal notes	970	1,040
Bank loan	81	120
Total	\$ 6,831	8,112



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. Union County's constitutional debt limit is approximately \$44 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**

Union County's elected officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.5% versus 4.1% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 4.7%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$16.7 million, an increase of 17.6% over the final fiscal year 2017 budget. The property tax rate for urban areas declined slightly from \$9.6083 per \$1,000 of taxable valuation to \$8.75832 per \$1,000 of taxable valuation for fiscal year 2017. The property tax rate in rural areas declined from \$13.35832 per \$1,000 of taxable valuation to \$12.60832 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union 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 Union County Auditor's Office, 300 N. Pine Street, Suite 2, Creston, Iowa 50801.

**Union County**

## **Basic Financial Statements**

Union County  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 3,533,434
Cash held by health plan trustee	53,829
Receivables:	
Property tax:	
Delinquent	22,523
Succeeding year	5,174,000
Interest and penalty on property tax	68,989
Loan	867,719
Accounts	18,080
Accrued interest	44
Due from other governments	723,747
Inventories	184,835
Prepaid expense	90,901
Capital assets, net of accumulated depreciation	16,065,387
<b>Total assets</b>	26,803,488
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	438,379
<b>Liabilities</b>	
Accounts payable	149,694
Accrued interest payable	21,356
Salaries and benefits payable	70,626
Due to other governments	401,010
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	95,910
General obligation bonds	1,105,000
General obligation solid waste disposal notes	70,000
Bank loan	39,945
Compensated absences	44,411
Portion due or payable after one year:	
Capital lease purchase agreements	173,607
General obligation bonds	4,405,000
General obligation solid waste disposal notes	900,000
Bank loan	40,704
Compensated absences	166,359
Net pension liability	1,757,098
Net OPEB liability	622,000
<b>Total liabilities</b>	10,062,720
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	5,174,000
Pension related deferred inflows	240,230
<b>Total deferred inflows of resources</b>	5,414,230
<b>Net Position</b>	
Net investment in capital assets	10,205,221
Restricted for:	
Supplemental levy purposes	436,572
Mental health	25,210
Rural services purposes	183,219
Secondary roads purposes	674,466
Debt service	801,809
Capital projects	408,315
Other purposes	131,755
Unrestricted	(1,101,650)
<b>Total net position</b>	\$ 11,764,917

See notes to financial statements.

Union County

Statement of Activities

Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,635,820	109,379	8,732	-	(1,517,709)
Physical health and social services	424,841	29,945	109,804	-	(285,092)
Mental health	990,454	2,248	5,404	-	(982,802)
County environment and education	3,763,802	172,592	3,455,348	-	(135,862)
Roads and transportation	4,341,348	71,060	2,573,285	477,003	(1,220,000)
Governmental services to residents Administration	446,630	241,857	-	-	(204,773)
	941,433	81,616	-	-	(859,817)
Non-program	152,886	159,893	-	-	7,007
Interest on long-term debt	299,065	-	49,376	-	(249,689)
Total	\$ 12,996,279	868,590	6,201,949	477,003	(5,448,737)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,146,327
Debt service					918,088
Tax increment financing					308,591
Penalty and interest on property tax					54,129
State tax credits					438,216
Local option sales tax					451,896
Unrestricted investment earnings					20,183
Rents					40,083
Miscellaneous					180,031
Total general revenues					6,557,544
Change in net position					1,108,807
Net position beginning of year					10,656,110
Net position end of year					\$ 11,764,917

See notes to financial statements.

Union County  
Balance Sheet  
Governmental Funds

June 30, 2016

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,230,863	41,715	166,689	503,075
Receivables:				
Property tax:				
Delinquent	14,394	2,349	1,714	-
Succeeding year	2,826,000	463,000	886,000	-
Interest and penalty on property tax	68,989	-	-	-
Loan	-	-	-	-
Accounts	17,974	-	-	-
Due from other governments	462,408	-	30,357	230,982
Inventories	-	-	-	184,835
<b>Total assets</b>	<b>\$ 4,620,628</b>	<b>507,064</b>	<b>1,084,760</b>	<b>918,892</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 28,154	-	5,917	115,623
Salaries and benefits payable	21,646	-	7,774	41,206
Due to other governments	392,392	-	1,850	6,768
Total liabilities	442,192	-	15,541	163,597
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,826,000	463,000	886,000	-
Other	83,383	2,349	1,714	-
Total deferred inflows of resources	2,909,383	465,349	887,714	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	184,835
Restricted for:				
Supplemental levy purposes	436,723	-	-	-
Mental health	-	41,715	-	-
Rural services purposes	-	-	181,505	-
Secondary roads purposes	-	-	-	570,460
Debt service	-	-	-	-
Conservation land acquisition/ capital improvements	27,099	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	31,045	-	-	-
Commissary	4,924	-	-	-
Inmate medical	94,215	-	-	-
Unassigned	675,047	-	-	-
Total fund balances	1,269,053	41,715	181,505	755,295
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,620,628</b>	<b>507,064</b>	<b>1,084,760</b>	<b>918,892</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
921,380	512,865	3,376,587
4,066	-	22,523
724,000	275,000	5,174,000
-	-	68,989
867,719	-	867,719
-	106	18,080
-	-	723,747
-	-	184,835
<u>2,517,165</u>	<u>787,971</u>	<u>10,436,480</u>
-	-	149,694
-	-	70,626
-	-	401,010
-	-	621,330
724,000	275,000	5,174,000
4,066	-	91,512
<u>728,066</u>	<u>275,000</u>	<u>5,265,512</u>
-	-	184,835
-	-	436,723
-	-	41,715
-	-	181,505
-	-	570,460
1,789,099	-	1,789,099
-	-	27,099
-	512,971	512,971
-	-	31,045
-	-	4,924
-	-	94,215
-	-	675,047
<u>1,789,099</u>	<u>512,971</u>	<u>4,549,638</u>
<u>2,517,165</u>	<u>787,971</u>	<u>10,436,480</u>

**Union County**



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

June 30, 2016

**Total governmental fund balances (page 21)** \$ 4,549,638

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$25,720,713 and the accumulated depreciation is 9,655,326. 16,065,387

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. 91,512

The Internal Service Fund is used by management to charge the cost of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 301,621

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

Deferred outflows of resources	\$ 438,379	
Deferred inflows of resources	(240,230)	198,149

Long-term liabilities, including capital lease purchase agreements payable, bonds and notes payable, compensated absences payable, net pension liability, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in (9,441,390)

**Net position of governmental activities (page 18)** \$ 11,764,917

See notes to financial statements.

Union County

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

Year ended June 30, 2016

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,728,960	504,836	914,158	-
Local option sales tax	90,379	-	135,569	225,948
Tax increment financing	-	-	-	-
Interest and penalty on property tax	58,665	-	-	-
Intergovernmental	3,815,760	52,802	121,645	2,593,864
Licenses and permits	66,667	-	6,527	110
Charges for service	481,503	-	350	-
Use of money and property	57,132	-	-	-
Miscellaneous	37,643	2,248	4,985	52,152
Total revenues	7,336,709	559,886	1,183,234	2,872,074
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,536,614	-	84,599	-
Physical health and social services	304,540	-	110,471	-
Mental health	-	979,306	-	-
County environment and education	3,771,897	-	96,624	-
Roads and transportation	-	-	126,717	3,450,545
Governmental services to residents	445,399	-	-	-
Administration	941,218	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	361,806
Total expenditures	6,999,668	979,306	418,411	3,812,351
Excess (deficiency) of revenues over (under) expenditures	337,041	(419,420)	764,823	(940,277)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	849,161
Transfers out	(173,425)	-	(778,838)	-
Total other financing sources (uses)	(173,425)	-	(778,838)	849,161
Change in fund balances	163,616	(419,420)	(14,015)	(91,116)
Fund balances beginning of year	1,105,437	461,135	195,520	846,411
Fund balances end of year	\$ 1,269,053	41,715	181,505	755,295

See notes to financial statements.

Debt Service	Nonmajor	Total
918,088	-	5,066,042
-	-	451,896
-	308,591	308,591
-	-	58,665
181,804	13,561	6,779,436
-	-	73,304
-	2,484	484,337
425	2,281	59,838
61,548	-	158,576
1,161,865	326,917	13,440,685
-	-	1,621,213
-	12,504	427,515
-	-	979,306
-	4,775	3,873,296
-	-	3,577,262
-	1,488	446,887
-	-	941,218
1,133,026	318,649	1,451,675
-	59,417	421,223
1,133,026	396,833	13,739,595
28,839	(69,916)	(298,910)
-	109,233	958,394
-	(6,131)	(958,394)
-	103,102	-
28,839	33,186	(298,910)
1,760,260	479,785	4,848,548
1,789,099	512,971	4,549,638

Union 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)** \$ (298,910)

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

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

Expenditures for capital assets	\$ 548,726	
Capital assets contributed by the Iowa Department of Transportation	477,003	
Depreciation expense	<u>(1,018,995)</u>	6,734

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. 35,020

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	(1,627)	
Other	<u>(4,536)</u>	(6,163)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,281,725

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 271,174

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	(28,715)	
Other postemployment benefits	(22,000)	
Pension expense	(159,073)	
Interest on long-term debt	<u>2,610</u>	(207,178)

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 26,405

**Change in net position of governmental activities (page 19)** \$ 1,108,807

See notes to financial statements.

Union County  
Statement of Net Position  
Proprietary Fund

June 30, 2016

	Internal Service - Employee Group Health
<b>Current Assets</b>	
Cash and cash equivalents	\$ 156,847
Cash held by health plan trustee	53,829
Accrued interest receivable	44
Prepaid expense	90,901
<b>Total current assets</b>	301,621
<b>Current Liabilities</b>	
None	-
<b>Net Position</b>	
Unrestricted	\$ 301,621

See notes to financial statements.

Union 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:	
Reimbursements from operating funds	\$ 1,028,028
Reimbursements from employees and others	<u>89,987</u>
Total operating revenues	1,118,015
Operating expenses:	
Insurance premiums	<u>1,092,039</u>
Operating loss	25,976
Non-operating revenues:	
Interest income	<u>429</u>
Net operating income	26,405
Net position beginning of year	<u>275,216</u>
Net position end of year	<u><u>\$ 301,621</u></u>
See notes to financial statements.	

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

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,118,015
Cash paid to suppliers for services	(1,092,564)
Net cash provided by operating activities	25,451
Cash flows from investing activities:	
Interest on investments	399
Net increase in cash and cash equivalents	25,850
Cash and cash equivalents beginning of year	184,826
Cash and cash equivalents end of year	\$ 210,676
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ 25,976
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Increase in prepaid expense	(525)
Net cash provided by operating activities	\$ 25,451

See notes to financial statements.

**Union County**



Union County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,404,556
Other County officials	38,112

Receivables:

Property tax:

Delinquent	62,007
Succeeding year	12,867,000

Accounts	643
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Special assessments	50,317
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Due from other governments	57,948
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<b>Total assets</b>	15,480,583
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**Liabilities**

Accounts payable	165,733
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Salaries and benefits payable	4,129
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Due to other governments	15,246,237
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Trusts payable	46,294
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Compensated absences	18,190
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<b>Total liabilities</b>	15,480,583
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<b>Net position</b>	\$ -
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See notes to financial statements.

**Union County**

Union County

Notes to Financial Statements

June 30, 2016

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

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

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E-911 Service Board and Union County Development Association.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

#### Special Revenue:

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

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

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

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 revenue of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in no more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure 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. 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. 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
Equipment and vehicles	5,000

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 attribute to the governmental activities will be paid primarily by the General Fund, and the Special Revenue, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized but the related revenue has not been



recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

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 insurance premiums 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 certain departments exceeded the amounts 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	\$ 77,323
	Special Revenue:	
	Rural Services	771,838
Flood and Erosion	Rural Services	7,000
Capital Projects	General	96,102
	Special Revenue:	
	Resource Enhancement and Protection	6,131
Total		<u>\$ 958,394</u>

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Construction in progress, road network	22,807	898,226	921,033	-
Total capital assets not being depreciated	276,426	898,226	921,033	253,619
Capital assets being depreciated:				
Buildings	2,310,986	-	-	2,310,986
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	4,664,039	162,523	71,624	4,754,938
Infrastructure, road network	17,431,935	921,033	-	18,352,968
Total capital assets being depreciated	24,455,162	1,083,556	71,624	25,467,094
Less accumulated depreciation for:				
Buildings	1,566,326	37,258	-	1,603,584
Improvements other than buildings	28,316	2,360	-	30,676
Equipment and vehicles	3,163,294	261,134	71,624	3,352,804
Infrastructure, road network	3,950,019	718,243	-	4,668,262
Total accumulated depreciation	8,707,955	1,018,995	71,624	9,655,326
Total capital assets being depreciated, net	15,747,207	64,561	-	15,811,768
Governmental activities capital assets, net	\$16,023,633	962,787	921,033	16,065,387

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 66,436
Physical health and social services	9,177
County environment and education	25,956
Roads and transportation	900,630
Administration	16,796
Total depreciation expense - governmental activities	<u>\$ 1,018,995</u>

In a prior year, the County acquired two motor graders and two tractors under capital lease purchase agreements. The cost of the equipment was \$609,547 and the accumulated depreciation at June 30, 2016 was \$133,334.

**(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	\$ 392,392
Special Revenue:		
Rural services	Services	1,850
Secondary Roads		6,768
		<u>8,618</u>
Total for governmental funds		<u>\$ 401,010</u>
Agency:		
County Assessor	Collections	\$ 414,317
County Hospital		1,079,406
Schools		7,677,905
Community Colleges		402,545
Corporations		3,269,226
Townships		187,538
Auto License and Use Tax		315,477
Prairie Solid Waste		963,181
All other		936,642
Total for agency funds		<u>\$ 15,246,237</u>

**(6) Long-Term Liabilities**

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

	Capital Lease Purchase Agreements	General Obligation Bonds	General Solid Waste Disposal Notes	Bank Loan	Compen-sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 361,891	6,590,000	1,040,000	120,000	182,055	1,271,319	600,000	10,165,265
Increases	-	-	-	-	166,643	485,779	32,000	684,422
Decreases	92,374	1,080,000	70,000	39,351	137,928	-	10,000	1,429,653
Balance end of year	<u>\$ 269,517</u>	<u>5,510,000</u>	<u>970,000</u>	<u>80,649</u>	<u>210,770</u>	<u>1,757,098</u>	<u>622,000</u>	<u>9,420,034</u>
Due within one year	<u>\$ 95,910</u>	<u>1,105,000</u>	<u>70,000</u>	<u>39,945</u>	<u>44,411</u>	<u>-</u>	<u>-</u>	<u>1,355,266</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease two Caterpillar motor graders and two tractors with historical costs of \$495,301 and \$114,246, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.50% to 2.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2016:

Year ending June 30,	Motor		Total	
	Graders	Tractors		
2017	\$ 79,475	22,849	102,324	
2018	79,475	22,849	102,324	
2019	79,478	-	79,478	
	Total minimum lease payments	238,428	45,698	284,126
	Less amount representing interest	9,608	1,736	11,344
	lease payments	<u>\$ 228,820</u>	<u>43,962</u>	<u>272,782</u>

Payments under the capital lease purchase agreements totaled \$102,324 for the year ended June 30, 2016.

General Obligation Bonds

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

Year Ending June 30,	Roads and Bridges			Roads, Bridges and Litigation		
	Issued October 16, 2009			Issued September 29, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	5.20%	\$ 300,000	137,448	2.20%	\$ 270,000	71,860
2018	5.50	315,000	121,847	2.50	275,000	65,920
2019	5.75	320,000	104,523	2.70	285,000	59,045
2020	6.00	325,000	86,122	2.90	295,000	51,350
2021	6.15	345,000	66,623	3.10	310,000	42,795
2022-2024	6.30-6.40	715,000	68,445	3.20-3.40	1,005,000	67,700
Total		<u>\$ 2,320,000</u>	<u>585,008</u>		<u>\$ 2,440,000</u>	<u>358,670</u>

Year Ending June 30,	Roads and Refunding			Total		
	Issued June 29, 2011					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	2.00%	\$ 535,000	16,155	1,105,000	225,463	1,330,463
2018	2.00	50,000	5,455	640,000	193,222	833,222
2019	2.40	55,000	4,455	660,000	168,023	828,023
2020	2.70	55,000	3,135	675,000	140,607	815,607
2021	3.00	55,000	1,650	710,000	111,068	821,068
2022-2024		-	-	1,720,000	136,145	1,856,145
Total		<u>\$ 750,000</u>	<u>30,850</u>	<u>5,510,000</u>	<u>974,528</u>	<u>6,484,528</u>

During the year ended June 30, 2016, the County retired \$1,080,000 of general obligation bonds.

General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2008, the County issued \$1,500,000 of general obligation solid waste disposal notes. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation solid waste disposal notes as they come due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

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

Year Ending June 30,	Series 2007B			
	Issued July 1, 2007			
	Interest Rates	Principal	Interest	Total
2017	4.150%	\$ 70,000	41,489	111,489
2018	4.150	75,000	38,584	113,584
2019	4.200	75,000	35,471	110,471
2020	4.200	80,000	32,321	112,321
2021	4.200	85,000	28,961	113,961
2022-2026	4.300-4.375	475,000	88,180	563,180
2027	4.375	110,000	4,813	114,813
Total		\$ 970,000	269,819	1,239,819

During the year ended June 30, 2016, the County retired \$70,000 of general obligation solid waste disposal notes.

Bank Loan

A summary of the County's June 30, 2016 bank loan indebtedness is as follows:

Year Ending June 30,	Park Ranger Residence			
	Issued September 4, 2014			
	Interest Rates	Principal	Interest	Total
2017	2.000%	\$ 39,945	1,613	41,558
2018	2.000	40,704	814	41,518
Total		\$ 80,649	2,427	83,076

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

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

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

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

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

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

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

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

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

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

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

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

The County's contributions to IPERS for the year ended June 30, 2016 were \$271,174

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 \$1,757,098 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 0.035565%, which was an increase of 0.003509% from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$159,073. 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	\$ 26,242	13,922
Changes of assumptions	47,820	11,581
Net difference between projected and actual earnings on IPERS' investments	-	181,850
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	93,143	32,877
County contributions subsequent to the measurement date	271,174	-
Total	\$ 438,379	240,230

\$271,174 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	\$ (62,438)
2018	(62,584)
2019	(62,584)
2020	108,143
2021	6,438
Total	\$ (73,025)

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:

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	\$ 3,393,485	1,757,098	377,095

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

Payables to IPERS – At June 30, 2016, the County reported payables to IPERS of \$5,690 for legally required County contributions and \$3,821 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 health benefit plan which provides medical/prescription drug, dental and vision, benefits for employees, retirees and their spouses. There are 55 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug, dental and vision coverage, which is a partially self-funded medical plan, is administered by Employee Benefit Programs. Retirees under age 65 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	\$ 42,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	<u>(37,000)</u>
Annual OPEB cost	32,000
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	22,000
Net OPEB obligation beginning of year	<u>600,000</u>
Net OPEB obligation end of year	<u><u>\$ 622,000</u></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 contributed \$10,000 to the medical plan. Plan members eligible for benefits contributed \$23,358, or 70% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 39,000	26.00%	\$ 547,000
2015	39,000	26.00	600,000
2016	32,000	31.25	622,000

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 approximately \$339,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$339,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,957,000 and the ratio of the UAAL to covered payroll was 11.5%. 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 unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The medical trend rate is 5%. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the rates based on Scale T-2 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$942 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County's health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The Fund accounts for the collection of premiums from individuals and departments which are then paid to Employee Benefit Systems for the purchase of health insurance. The cash balance held by Employee Benefits System was \$53,829 at June 30, 2016.

At June 30, 2016, the County had an unrestricted net position of \$301,621 in the Employee Group Health Fund to cover future premium payments.

**(11) Jointly Governed Organization**

The County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2016:

Additions:		
Contributions from governmental units:		
Union County	\$ 66,120	
City of Creston	62,011	\$ 128,131
Miscellaneous		28,593
Total additions		156,724
Deductions:		
Bed, towels and prisoner articles	922	
Building improvements	8,761	
Cleaning/housekeeping	4,393	
Contractual services	12,873	
Electric	29,201	
Insurance and collision damage	3,292	
Miscellaneous	3,357	
Office equipment and repair	9,643	
Printing and supplies	8,254	
Sanitation service	1,320	
Software support and maintenance	29,351	
Software upgrades	29,958	
Telephone	17,149	158,474
Net		(1,750)
Balance beginning of year		25,852
Balance end of year		<u>\$ 24,102</u>

**(12) Early Childhood Iowa Area Board**

The County is the fiscal agent for the Quad Counties 4 Kids Early Childhood Area, the Early Childhood Iowa Area Board for Union, Adams, Ringgold and Taylor Counties, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2016 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 47,813	-	47,813
Family support and parent education	-	191,755	191,755
Preschool support for low-income families	-	84,194	84,194
Quality improvement	-	53,288	53,288
Allocation for administration	2,516	10,797	13,313
Other grant programs	-	20,002	20,002
Total state grants	50,329	360,036	410,365
Interest on investments	95	843	938
Total revenues	50,424	360,879	411,303
Expenditures:			
Program services:			
Early childhood	47,532	-	47,532
Family support and parent education	-	197,144	197,144
Preschool support for low income families	-	96,354	96,354
Quality improvement	-	45,551	45,551
Other program services	-	9,439	9,439
Total program services	47,532	348,488	396,020
Administration	1,962	10,721	12,683
Total expenditures	49,494	359,209	408,703
Change in fund balance	930	1,670	2,600
Fund balance beginning of year	8,354	68,827	77,181
Fund balance end of year	\$ 9,284	70,497	79,781

**(13) Southern Hills Regional Mental Health**

The County is a member of Southern Hills Regional Mental Health, a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Adair, Adams, Taylor and Union Counties. Pursuant to the consortium agreement, the County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 504,836
Intergovernmental:		
State tax credits	\$ 47,398	
Equalization payment	5,404	52,802
Miscellaneous		2,248
Total revenues		559,886
Expenditures:		
Distribution to the Region		979,306
Excess of expenditures over revenues		(419,420)
Fund balance beginning of year		461,135
Fund balance end of year		\$ 41,715

**(14) New Accounting Pronouncement**

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

**Required Supplementary Information**

**Union County**



Union 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	Budgeted Amounts		Final to
		Original	Final	Net Variance
<b>Receipts:</b>				
Property and other county tax	\$ 5,828,733	6,081,165	6,081,165	(252,432)
Interest and penalty on property tax	58,665	43,100	43,100	15,565
Intergovernmental	6,403,965	4,750,495	7,093,355	(689,390)
Licenses and permits	30,171	32,700	32,700	(2,529)
Charges for service	483,168	440,962	440,962	42,206
Use of money and property	60,310	52,465	52,465	7,845
Miscellaneous	373,708	134,840	134,840	238,868
<b>Total receipts</b>	<b>13,238,720</b>	<b>11,535,727</b>	<b>13,878,587</b>	<b>(639,867)</b>
<b>Disbursements:</b>				
Public safety and legal services	1,622,593	1,801,389	1,821,389	198,796
Physical health and social services	468,900	419,929	564,929	96,029
Mental health	1,085,716	1,150,752	1,330,752	245,036
County environment and education	3,644,867	2,038,224	3,992,224	347,357
Roads and transportation	3,611,410	3,587,200	4,002,490	391,080
Governmental services to residents	472,417	506,867	511,567	39,150
Administration	968,744	1,057,147	1,075,147	106,403
Debt service	1,451,676	1,509,683	1,534,183	82,507
Capital projects	433,218	194,411	194,411	(238,807)
<b>Total disbursements</b>	<b>13,759,541</b>	<b>12,265,602</b>	<b>15,027,092</b>	<b>1,267,551</b>
Deficiency of receipts under disbursements	(520,821)	(729,875)	(1,148,505)	627,684
Other financing sources, net	1,781	12,000	12,000	(10,219)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(519,040)	(717,875)	(1,136,505)	617,465
Balance beginning of year	3,895,627	2,634,520	2,634,520	1,261,107
Balance end of year	\$ 3,376,587	1,916,645	1,498,015	1,878,572

See accompanying independent auditor's report.

**Union County**

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Union 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	\$ 13,238,720	201,965	13,440,685
Expenditures	13,759,541	(19,946)	13,739,595
Net	(520,821)	221,911	(298,910)
Other financing sources, net	1,781	221,911	-
Beginning fund balances	3,895,627	952,921	4,848,548
Ending fund balances	\$ 3,376,587	1,396,743	4,549,638

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,761,490. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service 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 project function and disbursements in certain departments exceeded the amounts appropriated.

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Union 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	0.035565%	0.032056%
County's proportionate share of the net pension liability	\$ 1,757	1,271
County's covered-employee payroll	\$ 2,894	2,711
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.71%	46.9%
IPERS' net position as a percentage of the total pension liability	85.91%	87.61%

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

See accompanying independent auditor's report.

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Union County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 271	264	248	240
Contributions in relation to the statutorily required contribution	(271)	(264)	(248)	(240)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 2,957	2,894	2,711	2,687
Contributions as a percentage of covered-employee payroll	9.16%	9.12%	9.15%	8.93%

See accompanying independent auditor's report.

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2012	2011	2010	2009	2008	2007
218	194	169	154	144	133
(218)	(194)	(169)	(154)	(144)	(133)
-	-	-	-	-	-
2,608	2,532	2,459	2,387	2,317	2,250
8.36%	7.66%	6.87%	6.45%	6.21%	5.91%

Union 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 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.



Union 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	-	\$ 1,261	1,261	0.0%	\$ 2,205	57.2%
2011	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2012	Jul 1, 2009	-	1,261	1,261	0.0	2,205	57.2
2013	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2014	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2015	Jul 1, 2012	-	351	351	0.0	2,537	13.8
2016	Jul 1, 2015	-	339	339	0.0	2,957	11.5

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.

**Union County**

**Supplementary Information**

Union County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2016

	Flood and Erosion	Resource Enhancement and Protection	Special County Recorder's Records Management
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 15,788	117,271	19,143
Receivables:			
Succeeding year property tax receivable	-	-	-
Accounts	-	30	4
<b>Total assets</b>	<b>\$ 15,788</b>	<b>117,301</b>	<b>19,147</b>
<b>Deferred Inflows of Resources and Fund Balances</b>			
Deferred inflows of resources:			
Succeeding year property tax	\$ -	-	-
Fund balances:			
Restricted for other purposes	15,788	117,301	19,147
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 15,788</b>	<b>117,301</b>	<b>19,147</b>

See accompanying independent auditor's report.

Revenue				
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Capital Projects	Total
103,615	8,609	116,700	131,739	512,865
-	-	275,000	-	275,000
26	-	30	16	106
103,641	8,609	391,730	131,755	787,971
-	-	275,000	-	275,000
103,641	8,609	116,730	131,755	512,971
103,641	8,609	391,730	131,755	787,971

Union County

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

Year ended June 30, 2016

	Flood and Erosion	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	13,561	-
Charges for service	-	-	2,484
Use of money and property	-	417	69
Total revenues	-	13,978	2,553
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	4,775	-	-
Governmental services to residents	-	-	1,488
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,775	-	1,488
Excess (deficiency) of revenues over (under) expenditures	(4,775)	13,978	1,065
Other financing sources (uses):			
Transfers in	7,000	-	-
Transfers out	-	(6,131)	-
Total other financing sources (uses)	7,000	(6,131)	-
Change in fund balances	2,225	7,847	1,065
Fund balances beginning of year	13,563	109,454	18,082
Fund balances end of year	\$ 15,788	117,301	19,147

See accompanying independent auditor's report.

Revenue				
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	COOP Urban Renewal	Capital Projects	Total
-	-	308,591	-	308,591
-	-	-	-	13,561
-	-	-	-	2,484
682	-	913	200	2,281
682	-	309,504	200	326,917
1,920	10,584	-	-	12,504
-	-	-	-	4,775
-	-	-	-	1,488
-	-	318,649	-	318,649
-	-	-	59,417	59,417
1,920	10,584	318,649	59,417	396,833
(1,238)	(10,584)	(9,145)	(59,217)	(69,916)
-	-	-	102,233	109,233
-	-	-	-	(6,131)
-	-	-	102,233	103,102
(1,238)	(10,584)	(9,145)	43,016	33,186
104,879	19,193	125,875	88,739	479,785
103,641	8,609	116,730	131,755	512,971

Union County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,486	95,811	12,421
Other County officials	38,112	-	-	-
Receivables:				
Property tax:				
Delinquent	-	596	1,341	4,985
Succeeding year	-	136,000	327,000	1,062,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 38,112</b>	<b>138,082</b>	<b>424,152</b>	<b>1,079,406</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	14,460	138,082	414,317	1,079,406
Trusts payable	23,652	-	-	-
Compensated absences	-	-	9,835	-
<b>Total liabilities</b>	<b>\$ 38,112</b>	<b>138,082</b>	<b>424,152</b>	<b>1,079,406</b>

See accompanying independent auditor's report.



	Community			Auto License and Use Tax	Southern Hills MHDS	Other	Total
Schools	Colleges	Corporations	Townships				
82,049	3,957	53,959	1,171	315,477	512,620	1,325,605	2,404,556
-	-	-	-	-	-	-	38,112
32,856	1,588	20,267	367	-	-	7	62,007
7,563,000	397,000	3,195,000	186,000	-	-	1,000	12,867,000
-	-	-	-	-	-	643	643
-	-	-	-	-	-	50,317	50,317
-	-	-	-	-	25,780	32,168	57,948
<u>7,677,905</u>	<u>402,545</u>	<u>3,269,226</u>	<u>187,538</u>	<u>315,477</u>	<u>538,400</u>	<u>1,409,740</u>	<u>15,480,583</u>
-	-	-	-	-	56,825	108,908	165,733
-	-	-	-	-	2,070	2,059	4,129
7,677,905	402,545	3,269,226	187,538	315,477	479,505	1,267,776	15,246,237
-	-	-	-	-	-	22,642	46,294
-	-	-	-	-	-	8,355	18,190
<u>7,677,905</u>	<u>402,545</u>	<u>3,269,226</u>	<u>187,538</u>	<u>315,477</u>	<u>538,400</u>	<u>1,409,740</u>	<u>15,480,583</u>

Union County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2016

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Balances beginning of year	\$ 32,294	130,498	351,053	1,091,786
Additions:				
Property and other county tax	-	137,089	329,211	1,070,768
State tax credits	-	12,030	27,066	100,567
Contract law enforcement	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	274,682	-	175	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	448,682	-	-	-
Miscellaneous	3,871	-	350	-
Total additions	727,235	149,119	356,802	1,171,335
Deductions:				
Agency remittances:				
To other funds	59,813	-	-	-
To other governments	214,082	141,535	283,703	1,183,715
Trusts paid out	447,522	-	-	-
Total deductions	721,417	141,535	283,703	1,183,715
Balances end of year	\$ 38,112	138,082	424,152	1,079,406

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
7,214,010	347,284	3,335,917	190,913	326,140	-	1,308,418	14,328,313
7,616,124	400,133	3,059,441	191,874	-	-	27,628	12,832,268
665,481	32,036	440,530	9,726	-	-	132	1,287,568
-	-	-	-	-	-	128,132	128,132
-	-	-	-	62,545	-	-	62,545
-	-	-	-	-	-	2,484	277,341
-	-	-	-	3,620,593	-	-	3,620,593
-	-	-	-	-	-	22,280	22,280
-	-	-	-	-	-	247,609	696,291
-	-	-	-	-	1,658,741	2,088,154	3,751,116
8,281,605	432,169	3,499,971	201,600	3,683,138	1,658,741	2,516,419	22,678,134
-	-	-	-	137,323	-	-	197,136
7,817,710	376,908	3,566,662	204,975	3,556,478	1,120,341	2,415,097	20,881,206
-	-	-	-	-	-	-	447,522
7,817,710	376,908	3,566,662	204,975	3,693,801	1,120,341	2,415,097	21,525,864
7,677,905	402,545	3,269,226	187,538	315,477	538,400	1,409,740	15,480,583

Union County

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

For the Last Ten Years

	2016	2015	2014	2013
<b>Revenues:</b>				
Property and other county tax	\$ 5,066,042	5,182,423	5,302,989	5,440,676
Local option sales tax	451,896	587,413	485,770	515,784
Tax increment financing	308,591	288,563	285,865	297,725
Interest and penalty on property tax	58,665	62,948	56,498	60,098
Intergovernmental	6,779,436	10,217,589	4,682,565	3,473,821
Licenses and permits	73,304	20,845	14,810	15,258
Charges for service	484,337	455,668	508,295	510,127
Use of money and property	59,838	69,516	51,482	52,924
Miscellaneous	158,576	275,373	407,127	303,343
Total	\$ 13,440,685	17,160,338	11,795,401	10,669,756
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,621,213	1,649,294	1,605,836	1,526,248
Physical health and social services	427,515	430,690	430,704	460,746
Mental health	979,306	1,193,629	702,457	878,989
County environment and education	3,873,296	6,890,858	2,566,041	438,914
Roads and transportation	3,577,262	3,449,120	3,695,527	3,216,281
Governmental services to residents	446,887	482,639	433,867	451,160
Administration	941,218	1,005,986	1,023,940	957,327
Debt service	1,451,675	1,497,622	1,539,439	1,691,998
Capital projects	421,223	165,610	291,764	791,975
Total	\$ 13,739,595	16,765,448	12,289,575	10,413,638

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
5,376,869	5,177,278	4,730,902	4,624,103	4,278,160	3,950,487
502,850	486,999	495,017	474,595	458,848	484,851
310,545	315,704	310,547	293,218	242,083	224,523
61,773	58,557	51,457	52,064	41,892	43,384
3,968,364	4,432,018	3,629,213	4,741,556	3,140,353	2,379,656
18,095	22,890	19,493	20,950	21,125	23,685
502,703	477,813	436,993	433,511	502,356	425,628
135,110	194,032	227,601	100,943	135,541	182,316
321,018	396,255	283,701	120,294	77,319	111,702
11,197,327	11,561,546	10,184,924	10,861,234	8,897,677	7,826,232
1,484,649	1,363,225	1,320,323	1,220,634	1,254,085	1,220,990
434,188	473,928	479,184	450,182	417,852	283,170
1,967,367	1,838,463	1,169,979	1,753,031	1,844,765	1,640,412
716,735	1,185,301	615,643	465,943	435,937	364,017
3,449,510	4,547,039	4,004,056	2,759,160	3,218,057	2,740,437
433,577	398,113	402,881	359,967	399,743	383,077
899,154	1,583,489	937,510	815,146	926,442	945,591
4,546,564	1,813,452	1,528,855	808,264	644,425	519,949
1,190,972	6,386,417	1,032,421	638,392	687,139	238,820
15,122,716	19,589,427	11,490,852	9,270,719	9,828,445	8,336,463

**Union County**

Union County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 8,729
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (\$3,734,455) provided to subrecipients)	14.228	08-DRH-216	3,734,455
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State Traffic Safety Information System Improvement Grants	20.610		4,300
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		25
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,312
Foster Care_Title IV-E	93.658		3,274
Adoption Assistance	93.659		1,142
Social Services Block Grant	93.667		2,737
Children's Health Insurance Program	93.767		62
Medical Assistance Program	93.778		16,620
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5885BT488	1,231
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042		23,861
Total			\$ 3,798,748

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Union County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Union County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Union County.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Union County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report

**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**





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

Mary Mosiman, CPA  
Auditor of State

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

To the Officials of Union 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 Union 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 May 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union 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 Union County's internal control. Accordingly, we do not express an opinion on the effectiveness of Union 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 and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and a deficiency we consider to be 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 Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 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 Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-16 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

### Union County's Responses to the Findings

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Union 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.

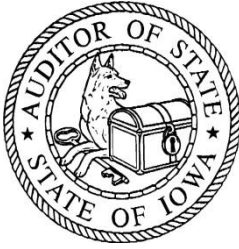
### Purpose of this Report

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 Union 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

May 17, 2017



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Officials of Union County:

Report on Compliance for Each Major Federal Program

We have audited Union County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Union County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Union County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Union County's compliance.

Opinion on the Major Federal Program

In our opinion, Union County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

The management of Union County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist which were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Item III-A-16, we consider to be a significant deficiency.

Union County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Union County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

May 17, 2017

Union County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was noted, which was not considered to be a material weakness.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Union County did not qualify as a low-risk auditee.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-16 Segregation of Duties

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

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

	Applicable Offices
(1) All employees have access to the change fund.	Recorder and Treasurer
(2) Bank reconciliations are not prepared by someone who doesn’t sign checks, handle or record cash.	Recorder and Treasurer
(3) Bank reconciliations are reviewed periodically by an independent person for propriety, but there is no evidence of review being performed.	Recorder and Treasurer
(4) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder and 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.

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

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Responses –

County Treasurer – With a limited number of employees we will use the resources available from other offices to verify the bank account reconciliations by signing and dating documenting the review of bank account reconciliations.

County Recorder – We will have the County Auditor review and initial and date the bank account reconciliation in an effort to strengthen controls.

Conclusions – Responses accepted

II-B-16 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The County has credit cards for use by various employees while on County business. The County has adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. The County's credit card policy states claims for payment of credit card charges shall include a short statement explaining the charges. In addition, signed copies of the credit card slips and itemized receipts are required, as well as original invoices. Of the 3 credit card payments tested, which included 21 individual line items, we noted the supporting receipts/documents were not signed, for six of twenty one line items tested, on three line items sales tax was charged and three items were miscoded

Cause – The enforcement of the County's credit card policy has not been a priority of the County.

Effect – Lack of enforcement of the credit card policy could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The County should implement procedures to ensure the claims for credit card payments adhere to the County's adopted policy.

Response – The County will develop procedures to ensure all credit card charges are signed, properly supported, coded and charges made are allowable.

Conclusion – Response accepted

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grants/State's Program and  
Non-Entitlement Grants in Hawaii  
Federal Award Year: 2016  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Economic Development Authority**

III-A-16 Monitoring  
(2016-001)

Criteria – The County entered into an agreement with the Southern Iowa Council of Governments (SICOG) to administer the Community Development Block Grant (CDBG) program. This agreement states SICOG will identify applicable federal and state laws and regulations and assist in complying with federal and state requirements. In addition, the agreement states SICOG will monitor and evaluate the project progress to facilitate compliance with applicable federal and state laws and regulations.

Condition – SICOG monitored the CDBG project to ensure compliance with the requirements of Uniform Guidance. However, since the County was the primary recipient of the CDBG program funds, the County retained responsibility to ensure the requirements were met. The County did not maintain documentation indicating program requirements were met.

Cause – Though the County was the primary recipient of the CDBG program funds which are passed through to SICOG, the County was unaware that it retained the responsibility to ensure compliance requirements were met.

Effect – Without documenting the monitoring of SICOG, the risk arises, that not all applicable compliance requirements have been identified and/or are being met.

Recommendation – The County should receive and maintain documentation to ensure applicable compliance requirements have been met.

Response – Documentation will be maintained in the future to ensure all federal compliance requirements are met.

Conclusion – Response accepted.



Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the capital project function. Disbursements in certain departments exceeded the amounts appropriated.

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

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

Response – The County Auditor will continue to monitor the department and function budgets to ensure amendments are done prior to disbursements exceeding either the amounts appropriated or amounts budgeted.

Conclusion – Response accepted.

IV-B-16 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.

IV-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-16 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dennis Brown, member of the Board of Supervisors, Owner of Charlie Brown Auto parts	Purchase of a truck seat	\$ 200

The transactions with Charlie Brown Auto Parts do not appear to represent a conflict of interest in accordance with Chapter 331.342(4) of the Code of Iowa since total transactions were less than \$1,500 during the fiscal year.

IV-E-16 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-16 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.

Union County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

IV-H-16 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).

IV-I-16 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.

IV-J-16 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-K-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management by December 1.

The TIF debt outstanding reported on the Levy Authority Summary was not fully supported by the County’s records.

Recommendation – The County should ensure the amounts reported on the Levy Authority Summary agree with and are supported by the County’s records.

Response – We have taken steps to ensure future reports submitted to the Department of Management will be complete and accurate.


Conclusion – Response accepted.

Union County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Steven O. Fuqua, CPA, Senior Auditor II  
Adjoa S. Adanledji, Staff Auditor  
Luke M. Bormann, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State